



CITY OF
SAN LUIS
A R I Z O N A

San Luis City Hall

1090

COMPREHENSIVE
**ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

CITY OF SAN LUIS, AZ COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended
June 30, 2018

City of San Luis, Arizona



Prepared by: Department of Finance

CITY OF SAN LUIS, ARIZONA
Comprehensive Annual Financial
Report for the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION





City of San Luis

Finance Department

February 27, 2019

Honorable Mayor, City Council, City Manager and Citizens of the City of San Luis, Arizona:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. Laws of the State of Arizona require that all local governments publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of San Luis for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. The internal control framework is designed both to protect the government's assets from loss, theft or misuse and to allow the compilation of sufficient reliable information for the preparation of financial statements. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, Heinfeld, Meech & Co., P.C., whose report is included herein. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the financial statements are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the City of

San Luis, Arizona for the fiscal year ended June 30, 2018, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors and provides an introduction, overview, and analysis of the basic financial statements. The discussion and analysis that complements this letter of transmittal should be read in combination with it.

Profile of the Government

The City of San Luis, incorporated in 1979, is located in the southwestern corner of Arizona immediately adjacent to both Mexico and California. It currently occupies 30 squares miles and serves a population of approximately 36,000. The City of San Luis is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members, all elected on a non-partisan basis. The Mayor is elected at-large for a four-year term. Council members are elected, for four- year terms, with four members elected every two years. The City Council is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

Between the 2000 census and the 2010 census the City's population increased by over 66.46 percent, from approximately 15,400 to approximately 25,500. The estimated current population is approximately 36,000 increasing 41% from 2010 to 2018. Based on current projections, population growth trends are expected to continue, at the same pace. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, solid waste services, water and sewer services, construction and maintenance of streets, recreational and cultural activities, planning and zoning services, and general administrative services. San Luis offers a wide range of community facilities including, one gym, one cultural center, one Senior center, one youth center, one activity center, one swimming pool, and 5 parks encompassing 60 acres.

This report includes financial statements on both a government-wide and a fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No.14, "The Financial Reporting Entity". Blended component units, although legally separate entities, are, in substance, part of the primary government's

operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and two blended component units, the San Luis Community Facilities District and the San Luis Employees' Self Insurance Health Fund as discussed further in Note 1.A of the notes to the financial statements.

Financial information

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting information is compiled to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management

Budget Control: The City of San Luis, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The city's expenditure limitation for fiscal year 2017 was \$41 million.

The annual operating budget which is adopted by ordinance each fiscal year serves as the base for the City's financial planning and control. Budgets are developed on a departmental basis by expenditure function within a fund. The budgets display all of the City's financial operations including funding for one corporation outside the City's organizational structure. The Council adopted a Strategic Plan for San Luis, and in order to implement the Strategic Plan, each department and intergovernmental agency receiving City funds was asked to address the strategies in its requested budget documents. The City Manager submits the annual balanced budget to City Council before June each year. A public hearing on the budget is held in the middle of June with an expected budget adoption by June 30. The City is required to publish specific information, notices, and hold public hearings as defined by state statute. After all these requirements are met, the City may adopt the budget by August 15 or soon thereafter.

Economic Condition of City of San Luis, Arizona

Factors affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The agriculture, commercial, government and manufacturing sectors make up a large portion of the local economy. The San Luis Port of Entry I is one of Arizona's busiest ports, with eight million people crossing the border on a yearly basis. A new \$6 million pedestrian facility was completed doubling the number of kiosks that will allow for a

faster, more efficient and increase in pedestrian crossing at the port. Tourism industry plays an important role in Arizona. City of San Luis proximity to the border provides a tremendous opportunity to leverage binational assets for increased tourism revenues. With a regional approach, San Luis is working on binational events to attract more visitors to shop in our community to enhance our revenue stream. San Luis Commercial Port of Entry II is the second largest commodities port of entry due to fresh produce imported from Mexico. Since the connection of the Arizona Service Highway to Interstate 8 and Highway 95, the city's industrial base increased with two new major industrial parks subdivisions totaling 220 acres of shovel ready sites.

The City of San Luis economy is changing and new economic opportunities are emerging with an increase in residential, commercial and industrial developments. Residential development has increased with approximately 600 new residential lots available and 200 acres being rezoned for residential developments. Two industrial companies have located in San Luis and a new mix use commercial development is contemplating developing a hotel, thereby increasing the job opportunities for San Luis residents.

City of San Luis will continue to take advantage of its strategic location and create a sustainable economy that will increase the quality of life for its residents. As new industries create jobs and new revenues are generated to support the development of needs services; San Luis will expand its tax base, create wealth and raise the standard of living for all residents.

Long-Term Financial Planning

The City's financial planning process is guided by the budget process. This process includes the annual budget that each department presents for review followed by acceptance, reductions or additions depending on revenue and expenditure forecasts. Needless to say that the budget process includes input from City Council, the City Manager and citizens and also includes community budget hearings. The City Council formally adopts the budget for the following year by the end of June.

As part of the budget process, user fees related to enterprise funds are updated annually for applicable increases based on an existing rate study plan. It is customary for the water, wastewater and sanitation funds to initiate bi-annually a review of existing rate study that extends over a ten-year financial forecasts in order to determine the long term funding availability. The City Council reviews the updated financial plans and the associated rates necessary to support the enterprise funds and their capital project

Awards and Acknowledgments

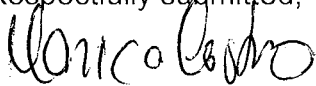
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to San Luis for its CAFR for the fiscal year that ended June 30, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last two fiscal years. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

The preparation of this Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated services of the staff of the Finance Department as well as the excellent cooperation and assistance of other City employees who contributed to its preparation. Sincere appreciation also must be given to the Mayor and the governing Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of San Luis' finances. We also wish to thank the City's Independent Auditors, Heinfeld, Meech & Co., P.C., for their assistance in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Monica Castro", written over the typed name.

Monica Castro, CPA

Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Luis
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY COUNCIL



Elected officials

As of June 30, 2018

*Gerardo Sanchez
Mayor*

*Matias Rosales
Councilmember
Africa L. Carrasco
Councilmember
Gloria Torres
Councilmember*

*Maria C. Ramos Vice
Mayor
Mario Buchanan
Councilmember
Jose Ponce
Councilmember*



Appointed officials

*Tadeo De La Hoya
City Manager*

*Attorney
City Clerk
Economic Development Manager
Director of Parks and Recreation
Director of Finance
Fire Chief
Chief of Police
Director of Human Resource
Information Technology Manager
Magistrate
Director of Planning & Zoning
Director of Public Works
Risk & Property Manager
Senior Services Director
Billing and Collection Manager*

*Kay Macuil
Sonia Cornelio
Jenny Torres
Lizandro Galaviz
Monica Castro
Angel Ramirez
Richard Jessup
Olivia Jenkins
Derek Duenas
Nohemy Echavarria
Jose Guzman
Eulogio Vera
Maria Sabori
Aracely DeLaHoya
Jorge Perez*

FINANCIAL SECTION

Honorable Mayor, and Members of the City Council
City of San Luis, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of City of San Luis, Arizona (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the discretely presented component unit, the budgetary comparison statements for the General Fund and major special revenue fund, and the aggregate remaining fund information of the City of San Luis, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Discretely Presented Component Unit- Deficit Position

As discussed in Note 12 to the financial statements, the Detention Facility, the discretely presented component unit, has a significant deficit in fund balance at year end. The fund continues to operate at a deficit and plans for restructuring the operations are being considered. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As described in Note 15, the City restated beginning net position balances due to adjustments related to GASB 68 pension liabilities. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and net pension liability information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining Fund Financial Statements and Schedules, and Statistical Section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Financial Statements and Schedules as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Financial Statements and Schedules information as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of City of San Luis, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of San Luis, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
February 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)



**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the City of San Luis, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

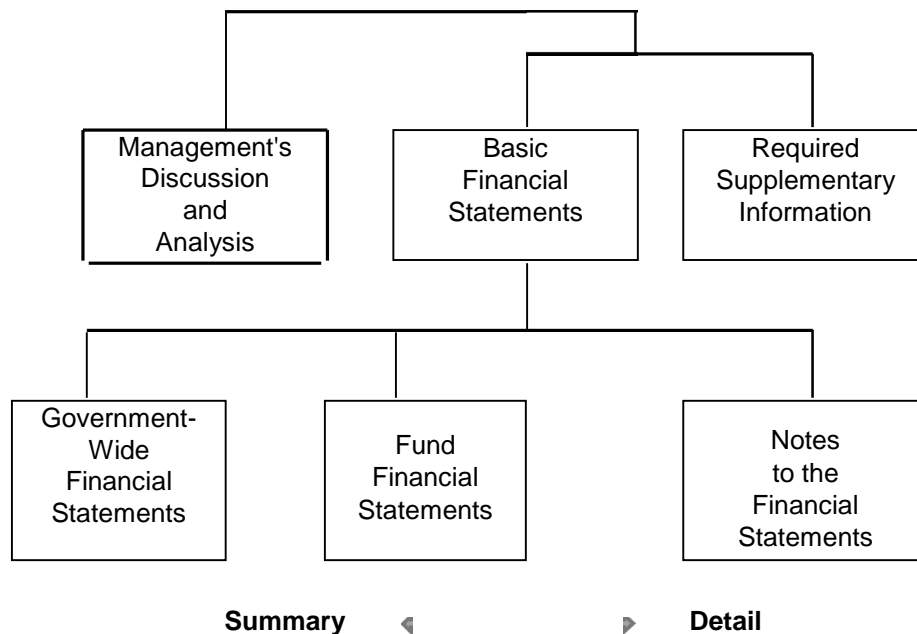
- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows at the close of the fiscal year by \$77.7 million.
- The City's net position of governmental activities increased approximately \$3.7 million to \$52.7 million and business-type activities increased \$3.7 million to \$25.0 million representing 68 percent and 32 percent respectively, of the total net position of \$77.7 million.
- As of the close of the fiscal year the City's governmental funds reported combined ending fund balances of \$14.9 million, an increase of \$1.9 million over the prior year. Approximately 20 percent of this amount, or \$3.0 million, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11.9 million, or 67 percent of total general fund expenditures and transfers for the fiscal year.
- General revenues from governmental activities accounted for \$18 million in revenues or 68 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.5 million or 32 percent of total governmental activities. The City had \$12.8 million of program revenues related to business-type activities.
- The City had \$22.4 million in expenses related to governmental activities; of which \$8.9 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$17.6 million were adequate to provide for the costs of these programs. The City had \$10.6 million in expenses related to business-type activities that were offset by program specific charges for services or capital grants and contributions.
- Among major governmental funds, the general fund had \$19.3 million in revenues, which primarily consisted of taxes, licenses and permits, fines and forfeitures, intergovernmental, and rental revenues. The total expenditures of the general fund were \$16.3 million. The general fund's fund balance increased from \$10.0 million to \$11.9 million. The highway users fund had revenues of \$2.9 million, which consisted primarily of intergovernmental revenues, and expenditures of \$3.5 million.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of the City.

Figure 1: Required Components of Annual Financial Report



The following diagram shows how the required components of this comprehensive annual financial report are arranged and relate to one another.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the City's financial status as a whole. These two statements report the City's net position and how they have changed. The statement of net position and the statement of activities help to determine if the City is in a better financial position as a result of the current year's activities.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of net position* reflects the City's net position at the end of the fiscal year. The net position of the City is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to evaluate the City's financial condition.

The *statement of activities* presents information showing how the City's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

In the government-wide financial statements the City's activities are presented in the following three categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, health and welfare, culture and recreation, community development, and public works and streets. Sales taxes, intergovernmental, licenses and permits, and fines and forfeitures revenue finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water, wastewater, business center, sanitation, ambulance services, and business incubator. The services are financed through user fees and charges.
- **Discretely presented component unit** – The City includes the activities of another entity in its report – The San Luis Facility Development Corporation, which owns the Detention Facility. Although legally separate, the "component unit" is required to be included for fair presentation in conformity with Generally Accepted Accounting Principles. Financial information for the component unit is reported separately from the financial information for the primary government.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in funds balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 9 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, highway users and debt service funds, all of which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the other supplementary information section presented immediately following the notes to the financial statements.

- **Proprietary funds.** The City has two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses separate enterprise funds to account for its water, wastewater, business center, sanitation, ambulance and business incubator, all six of which are presented as major funds of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its self-insurance programs. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* concerning the City's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its Public Safety employees, EORP and other post-employment benefit information. Required supplementary information can be found immediately following the notes to the financial statements.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, (see figure 2) assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$77.7 million as of June 30, 2018. By far the largest portion of the City's net position (81 percent) reflects its net investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure), less any related debt still outstanding that was used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2018 and 2017.

Figure 2	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$21,576,182	\$18,848,824	\$14,196,880	\$11,397,813	\$35,773,062	\$30,246,637
Capital assets	63,259,250	60,772,834	50,936,814	50,677,722	114,196,064	111,450,556
Total Assets	84,835,432	79,621,658	65,133,694	62,075,535	149,969,126	141,697,193
Total Deferred Outflow of Resources	2,989,699	4,203,448	1,717,202	467,105	4,706,901	4,670,553
Long-term liabilities	30,124,091	30,218,259	39,080,072	38,523,447	69,204,163	68,741,706
Other liabilities	3,514,620	2,972,217	2,173,669	1,994,709	5,688,288	4,966,926
Total Liabilities	33,638,710	33,190,476	41,253,741	40,518,156	74,892,451	73,708,632
Total Deferred inflow of Resources	1,535,065	1,851,999	556,509	434,116	2,091,574	2,286,115
Net Position						
Net Investment in Capital assets	47,845,480	45,187,300	15,084,100	14,221,545	62,929,581	59,408,845
Restricted	2,981,920	3,063,550	284,192		3,266,112	3,063,550
Unrestricted	1,823,955	531,781	9,672,353	7,368,823	11,496,308	7,900,604
Total net position	\$52,651,355	\$48,782,631	\$25,040,645	\$21,590,368	\$77,692,000	\$70,372,999

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Changes in net position

Governmental Activities: Net position in governmental activities saw an increase of \$3.7 million. The reasons for this change can be summarized as follows:

- Program revenues covered 38 percent of program expenses, which was consistent from last year.
- Program revenues totaled \$8.5 million, which was a decrease of \$.3 million from the previous year. General revenues on the other hand increased from the prior year by \$1.8 million totaling \$18 million. This amounts to an overall increase in total revenue of 6 percent.
- Expenses totaled \$22.4 million, a 3.9 percent decrease compared to the previous year.

Proprietary funds: Net position of the Enterprise Funds at the end of the year amounted to \$25.0 million. The Enterprise Funds had an increase in net position of \$3.7 million. Revenues for the Enterprise Funds increased due to an increase in charges for services revenue.

CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018

Figure 3	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for services	\$1,985,216	\$2,745,919	\$12,756,708	\$11,902,557	\$14,741,925	\$14,648,476
Operating grants and contributions	2,002,228	2,308,056			2,002,228	2,308,056
Capital grants and contributions	4,511,855	3,749,914	1,046,430		5,558,285	3,749,914
General Revenues:						
City sales taxes	8,978,743	7,694,566			8,978,743	7,694,566
Franchise taxes	435,767	401,364			435,767	401,364
State shared revenues	8,407,534	8,073,305			8,407,534	8,073,305
Investment earnings	182,505	56,947	74,278	55,487	256,783	112,434
Total Revenues	26,503,849	25,030,071	13,877,417	11,958,044	40,381,266	36,988,115
Expenses						
General Government	6,163,171	5,994,778			6,163,171	5,994,778
Public Safety	8,144,859	9,126,508			8,144,859	9,126,508
Health and Welfare	213,634	222,820			213,634	222,820
Culture and Recreation	2,579,256	2,839,136			2,579,256	2,839,136
Community Development	987,340	945,698			987,340	945,698
Public Works & Streets	3,810,361	3,560,360			3,810,361	3,560,360
Interest on Long-Term Debt	541,343	649,618			541,343	649,618
Water			2,696,643	2,826,192	2,696,643	2,826,192
Wastewater			3,648,877	3,141,132	3,648,877	3,141,132
Business Center			1,016,409	1,226,764	1,016,409	1,226,764
Sanitation			1,141,085	1,120,902	1,141,085	1,120,902
Business Incubator			173,272	163,062	173,272	163,062
Ambulance Services			1,946,014	1,049,335	1,946,014	1,049,335
Total expenses	22,439,965	23,338,918	10,622,300	9,527,387	33,062,264	32,866,305
Increase/(decrease) in net position	4,063,884	1,691,153	3,255,117	2,430,657	7,319,001	4,121,810
Transfer	(407,435)	(394,435)	407,435	394,435		
Net position – beginning, as restated	48,994,906	47,485,913	21,378,093	18,765,276	70,372,999	66,251,189
Net position - ending	\$52,651,355	\$48,782,631	\$25,040,645	\$21,590,368	\$77,692,000	\$70,372,999

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Business-type Activities: Overall, the City's net position for business-type activities shows it increased by \$3.7 million. The increase resulted from the annual rate increase. City's new rate study for user fees and charges will extend to the end of next fiscal year.

Financial Analysis of the City's funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance available for appropriations can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's major governmental funds include the General fund, the Highway Users fund and the Municipal Projects Bond fund. The remaining governmental funds are considered non-major.

At June 30, 2018, the City's governmental funds reported combined fund balance of \$14.9 million, an increase of \$1,915,887 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year fiscal year, the City's fund balance available in the general fund was \$11.9 million and the total fund balance was \$14.9 million. As a measure of the general fund's liquidity, unassigned fund balance represents approximately 72.95 percent of total general fund expenditures, while total fund balance represents approximately 73.45 percent of that same amount. A fund balance percentage of 15 to 20 percent of expenditures is typically considered a sign of financial health.

Governmental and Business-type activities. The following table (Figure 4) presents the cost of the major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$22.4 million. The cost of all business-type activities this year was \$10.6 million.
- Federal, State, and County governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$22.3 million.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Figure 4 - Activities	Total Expenses	Net (Expense)/ Revenue
Governmental Activities	\$ 6,163,171	\$ (4,808,135)
Public Safety	8,144,859	(7,512,863)
Public Works and Streets	3,810,361	2,276,194
Health and Welfare	213,634	(213,634)
Culture and Recreation	2,579,256	(2,428,719)
Community Development	987,340	(712,165)
Interest on Long-Term Debt	541,343	(541,343)
Total Expenses	22,439,965	(13,940,665)
Business-Type Activities		
Water	2,696,643	1,976,117
Wastewater	3,648,877	961,088
Business Center	1,016,409	(389,583)
Sanitation	1,141,085	245,900
Ambulance Services	1,946,014	530,590
Business Incubator	173,272	(143,273)
Total Expenses	10,622,300	3,180,839
Total	\$ 33,062,264	\$ (10,759,826)

Discretely Component Unit

The Detention Facility, which is a legally separate component unit from the financial statements of the City of San Luis presents at June 30, 2018, a deficit in its fund balance in the amount of \$ 13.2 million. This is an increase of \$.6 million when compared to the \$ 12.6 million deficit from last year. The largest portion of the City's deficit is due to the outstanding debt utilized to acquire the facility, machinery and equipment needed to run the operations of the Detention Facility. The debt exceeds the value of the component unit's assets due to the depreciation expense of \$15.7 million which decreased the value of the component unit's assets. The cost of the component unit's activities is 14.9 million for the year. Revenues totaled 17.1 million, an increase of .2 million from last year.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

- The net cost of governmental activities of \$13.9 million was financed by general revenues of \$18.0 million, which are made up of primarily taxes and state shared revenues.
- Business type activities showed an increase in changes to net position by \$3.7 million in the fiscal year ended June 30, 2018 as compared to the prior fiscal year due primarily to an increase in charges for services and an overall average rate increase of three percent for all the enterprise funds.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the general fund and all major special revenue funds. These statements compare the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

The City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendment to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriation that become necessary to maintain services.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSETS

As of June 30, 2018, the City had invested \$170.3 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets prior to depreciation. Total depreciation expense for the year was \$2.6 million for the governmental activities and \$1.9 million for the business-type activities.

The following schedule (Figure 5) presents capital asset balances for the fiscal year ended June 30, 2018.

CAPITAL ASSETS

Figure 5	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,531,972	\$ 1,531,972	\$ 685,239	\$ 685,239	\$ 2,217,211	\$ 2,217,211
Construction in progress	933,622	312,918	800,157	2,535,621	1,733,779	2,848,539
Buildings and Improvements	24,492,880	24,482,814	8,860,617	8,808,127	33,353,497	33,290,941
Machinery and equipment	11,571,732	11,278,081	9,119,143	8,928,483	20,690,875	20,206,564
Infrastructure	55,970,894	52,133,424	56,295,688	52,708,517	112,266,582	104,841,941
Total	<u>\$ 94,501,100</u>	<u>\$ 89,739,209</u>	<u>\$ 75,760,844</u>	<u>\$ 73,665,987</u>	<u>\$ 170,261,944</u>	<u>\$ 163,405,196</u>

Major capital asset events during the current fiscal year included the following:

- Completion of reconstruction of Juan Sanchez Boulevard between Merrill Avenue and Main Street at a cost of \$691,231
- Developer contributed construction of infrastructure to governmental activities in subdivisions Las Quintas de San Luis II, and Bienestar 9A Phase 2 in the amount of \$1.7 Million and \$1.4 million respectively.
- Developer contributed construction of water and wastewater lines in subdivisions Las Quintas de San Luis II, and Bienestar 9A Phase 2 in the amount of \$659,535 and \$ 386,895 respectively.

Additional information on the City's capital assets can be found in Note 5 of this report.

DEBT ADMINISTRATION

At year end, the City's debts represent Revenue Bonds in the amount of \$38.1 million for both governmental and business-type activities that are backed solely by specified revenue sources (i.e., taxes and fees collected). The remainder, which is composed of loans and notes, are paid from user fees and charges and others.

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

DEBT ADMINISTRATION (CONTINUED)

The following schedule presents a summary of the City's outstanding long-term obligations for the fiscal year ended June 30, 2018.

**OUTSTANDING DEBT
(Revenue Bonds, Capital Leases, Loan Payable, and Loans)**

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue bonds	\$ 15,231,768	\$ 12,369,411	\$ 36,427,536	\$ 25,693,717	\$ 51,659,304	\$ 38,063,128
Capital leases	297,873		339,797	379,290	637,670	379,290
Loan payable	-	3,025,000		10,070,000	-	13,095,000
Note payable	270,762	362,922	57,843	102,171	328,605	465,093
Total	\$ 15,800,403	\$ 15,757,333	\$ 36,825,176	\$ 36,245,178	\$ 52,625,579	\$ 52,002,511

Additional information on the City's long-term obligations can be found in Notes 7 through 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's revenues and expenditures/expenses are affected by changes in international, national and local economic factors. Economic growth can be measured by various factors. Highlights of the economic factors that affected the City this past fiscal year are explained below:

- The yearly total number of visitors crossing the border in the City increased considerably for private vehicles as well as pedestrians crossing which is a good indication that retail sales have increased. Conversely, when comparing the current year to the previous year data on a month-to month basis there seemed to be no consistency in the pattern as to when the peak or the low month occurred for both the former and the latter (source: Greater Yuma Economic Development Corporation, GYEDC).

Figure 11	BORDER CROSSING					
	FY 2018			FY 2017		
	Per Month High	Per Month Low	Daily Average	Per Month High	Per Month Low	Daily Average
Class						
Vehicles	293,231	261,823	9,099	281,667	238,642	8,518
Pedestrians	363,727	151,796	8,451	284,022	168,692	7,639
Commercial	6530	3,763	169	4,464	1,878	90

**CITY OF SAN LUIS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

- General fund revenues come from three main sources: local taxes, state taxes and intergovernmental. The City of San Luis, like all Arizona cities, places significant reliance on collected sales tax. Overall, sales tax revenues encompassed 49 percent of General Fund revenues in fiscal year 2018. Our composition of sales taxes is made up of retail trade, wholesale trade, construction activities, and communications all showed progress in a stabilized economy during 2018.
- The City also receives significant revenue allocations from the State for income tax, sales tax, gas tax, and motor vehicle tax. These revenue sources are placed in the City's General Fund, to support the City's day-to-day activities.

There is quite a bit of opportunity and business potential still available within the City.

Plan for a major hotel complex from 2011, designed to enhance the overall concept of the downtown area has been revisited by the developer. The realization of the project will attract major new commercial and office developments enhancing the economic outlook for the City.

A 3 Phase multi-million-dollar mix use project expected to be completed in the next 2 years. Phase I is a 20,000 SF charter school to serve 300 students and employ 20 people. Phase II is a 50,000 SF executive office and Phase III includes a building for medical and dental office.

The City continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. The City maintains a strong commitment to sustainability and cost-effective services while delivering the same quantity and the best quality of services to its constituents.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the City's Finance Director.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SAN LUIS, ARIZONA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Detention Facility
ASSETS				
Current assets:				
Equity in Pooled Cash	\$2,023,350	\$1,678,662	\$3,702,012	\$ -
Cash and Cash Equivalents	2,251,337		2,251,337	\$ 822,811
Investments	10,192,808	11,015,654	21,208,462	-
Restricted Investments	2,538,258	1,051,328	3,589,587	5,006,631
Receivables (net of allowance)	1,524,065	1,572,859	3,096,923	6,981
Prepaid items	127,562	156,196	283,757	-
Internal Balances	1,335,216	(1,335,216)	0	-
Inventories	71,373	-	71,373	-
Notes receivable	-	57,398	57,398	-
Due from other governments	1,512,213		1,512,213	-
Total current assets	21,576,182	14,196,880	35,773,062	5,836,423
Noncurrent assets:				
Land	1,531,972	685,239	\$2,217,211	661,359
Construction in progress	933,622	800,157	\$1,733,779	-
Buildings and improvements	24,492,880	8,860,617	\$33,353,497	34,129,886
Machinery and equipment	11,571,732	9,119,143	\$20,690,875	329,194
Infrastructure	55,970,894	56,295,688	\$112,266,582	-
Accumulated depreciation	(31,241,850)	(24,824,030)	(\$56,065,880)	(15,674,429)
Total noncurrent assets	63,259,250	50,936,814	114,196,064	19,446,009
Total assets	84,835,432	65,133,694	149,969,126	25,282,432
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	2,860,445	543,780	3,404,225	-
Deferred Loss on Refunding	129,254	1,173,422	1,302,676	498,111
Total deferred outflows of resources	\$2,989,699	\$1,717,202	\$4,706,901	\$498,111
LIABILITIES				
Accounts payable	\$1,384,355	\$837,172	\$2,221,527	\$ -
Claims Payable	158,401		\$158,401	
Accrued payroll and taxes	1,443,895	44,530	1,488,425	-
Court bonds payable	68,838	-	68,838	-
Customer deposits	7,183	376,146	383,330	-
Retainage	56,773	146,640	203,413	-
Accrued interest	355,935	767,189	1,123,125	445,106
Current portion of Long Term Debt	1,138,464	1,784,695	2,923,158	2,120,000
Unearned Revenue	39,239	1,991	41,230	
Total Current Liabilities	4,653,083	3,958,363	8,611,447	2,565,106
Non current liabilities				
Pension	13,763,912	2,179,113	15,943,025	-
Non-current portion of long term debt	15,221,715	35,116,265	50,337,979	36,413,093
Total non current liabilities	28,985,627	37,295,378	66,281,004	36,413,093
Total liabilities	33,638,710	41,253,741	74,892,451	38,978,199
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	1,353,064	355,550	1,708,614	-
Deferred gain on refunding	182,001	200,959	382,960	-
Total deferred inflows of resources	1,535,065	556,509	2,091,574	-
NET POSITION				
Net Investment in capital assets	47,586,157	16,864,092	64,450,249	(18,588,972)
Restricted for:				
Debt service	389,201	-	389,201	4,561,525
Capital Project	1,702,077	284,192	1,986,269	-
Assesment Districts	368,692	-	368,692	-
HURF	30,648	-	30,648	-
Restricted for other purposes	491,302		491,302	
Unrestricted	2,083,278	7,892,361	9,975,639	829,792
Total net position	\$52,651,356	\$25,040,645	77,692,000	(\$13,197,656)

The notes to the financial statements are an integral part of this statement.



City of San Luis
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$6,163,171	\$1,350,023	\$5,014	\$0
Public safety	8,144,859	\$305,749	\$308,582	\$17,665
Public works and streets	\$3,810,361	\$187,408	\$1,413,457	\$4,485,690
Health and welfare	213,634	-	-	-
Culture and recreation	\$2,579,256	\$142,037	-	\$8,500
Community development	987,340	-	\$275,175	-
Interest on long-term debt	\$541,343	-	-	-
Total governmental activities	22,439,965	1,985,216	2,002,228	4,511,855
Business-type activities:				
Water	2,696,643	4,182,192	-	490,568
Wastewater	3,648,877	4,054,103	-	555,862
Business Center	1,016,409	626,826	-	-
Sanitation	1,141,085	1,386,984	-	-
Ambulance Services	1,946,014	2,476,604	-	-
Business Incubator	173,272	29,999	-	-
Total business-type activities	10,622,300	12,756,708	-	1,046,430
Total primary government	\$ 33,062,264	\$ 14,741,925	\$ 2,002,228	\$ 5,558,285
Component Unit				
Detention Facility	\$17,738,217	\$17,110,984	\$ -	\$ -
Total component unit	\$17,738,217	\$17,110,984	\$ -	\$ -

General revenues:

Taxes:

 City sales taxes for general purposes

 Franchise taxes

 State shared revenue (not restricted)

 Investment earnings

 Loss on disposal of assets

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning, as restated

Net position - ending

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in
Net Assets**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Detention Facility
(\$4,808,135)	\$ -	(\$4,808,135)	\$ -
(\$7,512,863)	-	(7,512,863)	-
\$2,276,194	-	2,276,194	-
(\$213,634)	-	(213,634)	-
(\$2,428,719)	-	(2,428,719)	-
(\$712,165)	-	(712,165)	-
(\$541,343)	-	(541,343)	-
<u>(13,940,665)</u>	<u>-</u>	<u>(13,940,665)</u>	<u>-</u>
	1,976,117	1,976,117	
-	961,088	961,088	
-	(389,583)	(389,583)	
-	245,900	245,900	
	530,590	530,590	
-	(143,273)	(143,273)	
<u>-</u>	<u>3,180,839</u>	<u>3,180,839</u>	<u>-</u>
\$ (13,940,665)	\$ 3,180,839	\$ (10,759,826)	\$ -
			<u>(\$627,233)</u>
			<u>(\$627,233)</u>
8,978,743	-	8,978,743	-
435,767	-	435,767	-
8,407,534	-	8,407,534	-
182,505	74,278	256,783	61,835
			-
(407,435)	407,435	-	-
<u>17,597,115</u>	<u>481,713</u>	<u>18,078,827</u>	<u>61,835</u>
3,656,449	3,662,552	7,319,001	(565,398)
<u>48,994,906</u>	<u>21,378,093</u>	<u>70,372,999</u>	<u>(12,632,258)</u>
<u>\$ 52,651,355</u>	<u>\$ 25,040,645</u>	<u>\$ 77,692,000</u>	<u>\$ (13,197,656)</u>



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUNDS

**CITY OF SAN LUIS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	MAJOR FUNDS				
	General	Highway Users	Debt Service Fund	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>					
Equity in Pooled Cash	\$ 1,205,351	\$ -		\$ 817,999	\$ 2,023,350
Investments	8,172,519	391,609		1,628,680	10,192,808
Restricted Investments			2,538,258		2,538,258
Accounts receivable (net)	1,258,275		930	32,614	1,291,820
Due from governmental entities	1,192,649	231,667	-	87,897	1,512,213
Due from other funds	3,140,693	-	-		3,140,693
Prepaid items	48,824	78	260	78,400	127,562
Supplies Inventory	31,567	39,805	-	-	71,373
Total assets	\$ 15,049,880	\$ 663,159	\$ 2,539,448	\$ 2,645,590	\$ 20,898,077
<u>LIABILITIES</u>					
Liabilities:					
Accounts payable	\$ 783,180	\$ 550,926	\$ 390	\$ 49,860	\$ 1,384,355
Accrued payroll and taxes	1,430,640	13,255	-	-	1,443,895
Due to other funds		11,555	1,793,922	-	1,805,478
Court bonds payable	68,838		-	-	68,838
Customer deposits	7,183	-	-	-	7,183
Retainage payable		56,773		-	56,773
Accrued interest			355,935	-	355,935
Unearned Revenue	5,580	-	-	33,659	39,239
Total liabilities	2,295,421	632,509	2,150,248	83,519	5,161,696
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	814,863	-	-	50,156	865,019
Total Deferred inflows of resources	814,863	-	-	50,156	865,019
<u>FUND BALANCES (DEFICITS)</u>					
Non-spendable					
Non spendable in form	80,392	39,883	260	78,400	198,935
Restricted for:					
Debt service	-	-	388,941	-	388,941
Other Purposes	-	-	-	459,903	459,903
Assesment Districts				349,935	349,935
Impact Fees	-	-	-	1,623,676	1,623,676
Unassigned	11,859,205	(9,234)	-	-	11,849,972
Total fund balances	11,939,597	30,649	389,201	2,511,915	14,871,362
Total liabilities, deferred inflows of resources and fund balances	\$ 15,049,880	\$ 663,159	\$ 2,539,448	\$ 2,645,590	\$ 20,898,077

The notes to the financial statements are an integral part of this statement.

CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Total governmental fund balances	\$	14,871,362
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 94,501,100	
Less accumulated depreciation	<u>(31,241,850)</u>	63,259,250

Some Receivables are not available to pay current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Municipal Court	\$ 814,863	
Assesments	18,757	
Intergovernmental	<u>31,399</u>	865,019

Deferred items related to the net cost of issuance of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.	(52,747)
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Deferred outflows and inflows of resources related to pensions are applicable to future period and therefore are not reported in the funds.

Deferred outflows of resources related to pension	\$ 2,860,445	
Deferred inflows of resources related to pension	<u>(1,353,064)</u>	1,507,381

The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position.	2,325,181
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Net pension liability	(13,763,912)	
Revenue bonds payable	(15,231,769)	
Captal Lease Payable	(297,873)	
Compensated absences payable	(559,775)	
Note payable	<u>(270,762)</u>	<u>(30,124,091)</u>

Net position of governmental activities	\$	<u>52,651,355</u>
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The notes to the financial statements are an integral part of this statement.



CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	MAJOR FUNDS				
	General	Highway Users	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 9,414,511	\$ -	\$ -	\$ -	\$ 9,414,511
Special assessments				345,509	345,509
Licenses and permits	584,677				584,677
Intergovernmental	8,407,534	2,651,344		421,145	11,480,024
Charges for services	113,078			413,637	526,714
Fines and forfeitures	267,795			251,358	519,153
Investment earnings	132,999	18,418	10,102	18,083	179,601
Rents	236,932				236,932
Other	185,487	187,408		2,500	375,395
Total revenues	19,343,012	2,857,170	10,102	1,452,232	23,662,516
<u>EXPENDITURES</u>					
Current:					
General government	5,376,504			87,143	5,463,647
Public safety	6,633,401			439,633	7,073,034
Public works and streets		1,761,306		70,334	1,831,640
Health and welfare	209,748				209,748
Culture and recreation	2,328,232				2,328,232
Community development	739,355		1,619	275,856	1,016,830
Capital outlay	872,114	1,715,537		104,119	2,691,771
Debt service -					
Interest	4,840		621,293		626,133
Principal	92,137		305,893		398,030
Cost of Bond issuance			87,664		87,664
Total expenditures	16,256,330	3,476,844	1,016,469	977,085	21,726,728
Excess (deficiency) of revenues over expenditures	3,086,682	(619,674)	(1,006,367)	475,146	1,935,788
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in		-	1,014,000	-	1,014,000
Transfers out	(1,421,435)		-	-	(1,421,435)
Payment to refunded bond escrow agent			(3,164,208)		(3,164,208)
Issuance of refunding bonds			2,825,000		2,825,000
Issuance of capital lease agreements	297,873				297,873
Premium on sale of bonds			428,870		428,870
Total other financing sources (uses)	(1,123,562)	-	1,103,662	-	(19,900)
Net Change in fund balances	1,963,120	(619,674)	97,295	475,146	1,915,887
Fund balance - beginning	9,976,477	650,322	291,906	2,036,768	12,955,473
Fund balance (deficit) - ending	\$ 11,939,597	\$ 30,648	\$ 389,201	\$ 2,511,914	\$ 14,871,360

The notes to the financial statements are an integral part of this statement.

CITY OF SAN LUIS, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances - total governmental funds **\$1,915,887**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense in the current period.

Expenditures for capitalized assets	\$1,989,004	
Less current year depreciation	<u>(2,617,475)</u>	(628,471)

Some Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Municipal Court	(276,416)	
Capital Contributions	3,146,239	
Intergovernmental	<u>(31,398)</u>	2,838,425

The issuance of long term debt provides current financial resources to governmental funds, while the repayments of Long Term Debt principal are expenditures in the governmental funds that consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position.

Revenue Bonds Principal Repayment	305,893	
Issuance of refunding bonds	(89,662)	
Capital Lease Payable	(297,873)	
Note Payable Principal Repayment	<u>92,160</u>	10,519

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the statement of activities

Current year pension contributions	864,548	
Pension Expense	<u>(1,961,622)</u>	(1,097,075)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Loss on disposal of assets	(31,353)	
Amortization of Deferred bond items	84,790	
Compensated absences	<u>(13,153)</u>	40,284

The Internal Service Fund is used by management to charge the cost of insurance to the individuals funds. The changes in net position of the Internal Service Fund is reported with governmental activities.

576,880

Change in net position in governmental activities **\$3,656,449**

The notes to the financial statements are an integral part of this statement.

CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$8,002,500	\$8,002,500	\$9,414,511	\$1,412,011
Licenses and permits	621,000	621,000	584,677	(36,323)
Intergovernmental	8,309,350	8,309,350	8,407,534	98,184
Charges for services	65,900	65,900	113,078	47,178
Fines and forfeitures	284,800	284,800	267,795	(17,005)
Investment earnings	30,250	30,250	132,999	102,749
Rents	222,900	222,900	236,932	14,032
Other	130,500	130,500	185,487	54,987
Total revenues	17,667,200	17,667,200	19,343,012	1,675,812
Expenditures:				
General government:				
City Council	1,382,450	1,285,910	931,956	353,954
City Administration	681,100	675,950	538,830	137,120
City Clerk	270,870	269,370	220,264	49,106
City Attorney	404,140	404,140	387,027	17,113
City Prosecutor	300,190	299,690	242,416	57,274
Finance	840,350	840,350	779,521	60,829
Human Resources	503,350	502,350	406,040	96,310
Municipal Court	621,240	646,430	640,249	6,181
Information Technology	428,070	426,570	426,287	283
Facilities	412,260	411,760	395,381	16,379
Fleet Services	156,390	154,440	137,721	16,719
Risk & Property	142,080	142,080	116,845	25,235
Non Departmental	154,100	154,100	153,967	133
Public Safety				
Police Department	4,991,600	4,985,600	4,382,562	603,038
Fire Department	2,286,760	2,286,260	2,250,839	35,421
Health and Welfare				
Senior Services	248,290	247,790	209,748	38,042
Culture and Recreation				
Cultural Center	233,130	232,880	213,086	19,794
Parks Ground	1,311,135	1,310,385	1,273,292	37,093
Parks - Recreation	442,370	435,870	388,372	47,498
Youth Center	296,270	295,770	249,101	46,669
Aquatic Center	252,010	251,510	204,382	47,128
Community Development				
Development Services	373,090	369,890	263,222	106,668
Building Safety	306,960	380,460	281,500	98,960
Economic Development	290,410	283,910	194,633	89,277
Capital Outlay	1,065,710	1,139,750	872,114	267,636
Debt Service				
Interest and Fiscal Changes	5,000	5,000	4,840	160
Principal Retirement	94,000	94,000	92,137	1,863
Total expenditures	18,493,325	18,532,215	16,256,330	2,275,885
Excess (deficiency) of revenues over expenditures	(826,125)	(865,015)	3,086,682	3,951,697
Other financing sources (uses):				
Capital lease agreement			297,873	297,873
Transfers out	(1,421,435)	(1,421,435)	(1,421,435)	-
Total other financing sources (uses)	(1,421,435)	(1,421,435)	(1,123,562)	297,873
Change in fund balances	(2,247,560)	(2,286,450)	1,963,120	4,249,570
Fund balances - beginning	6,570,782	6,173,902	9,976,477	3,802,575
Fund Balances - ending	\$ 4,323,222	\$ 3,887,452	\$ 11,939,597	\$ 8,052,145

The notes to the financial statements are an integral part of this statement.

CITY OF SAN LUIS, ARIZONA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 2,678,780	\$ 2,678,780	\$2,651,344	(\$27,436)
Investment Earnings	5,500	5,500	18,418	12,918
Other	193,600	193,600	187,408	(6,192)
TOTAL REVENUES	<u>2,877,880</u>	<u>2,877,880</u>	<u>2,857,170</u>	<u>(20,710)</u>
EXPENDITURES				
Current				
Public Works and Streets	2,190,400	1,994,400	1,761,306	233,094
Capital Outlay	1,775,000	1,969,000	1,715,537	253,463
Total Expenditures	<u>3,965,400</u>	<u>3,963,400</u>	<u>3,476,844</u>	<u>486,556</u>
Excess (deficiency) of revenues over expenditures	<u>(1,087,520)</u>	<u>(1,085,520)</u>	<u>(619,674)</u>	<u>465,846</u>
Other financing sources (uses):				
Transfers out	220,000	-	-	-
Total other financing sources (uses)	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>(867,520)</u>	<u>(1,085,520)</u>	<u>(619,674)</u>	<u>465,846</u>
Fund balances - beginning	<u>10,865</u>	<u>(323,435)</u>	<u>650,322</u>	<u>973,757</u>
Fund Balances - ending	<u>\$ (856,655)</u>	<u>\$ (1,408,955)</u>	<u>\$ 30,648</u>	<u>\$ 1,439,603</u>

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Enterprise Funds			
	Water	Wastewater	Sanitation	Business Incubator
<u>ASSETS</u>				
Current assets:				
Equity in Pooled Cash	\$	\$ 386,091	\$	\$
Cash and cash equivalents	152,910	-	-	-
Investments	7,605,273	3,410,381		
Accounts receivable (net)	508,521	109,952	37,258	647
Notes receivable	57,398	-	-	-
Prepaid items and other assets	78,723	16,925	50,358	150
Total current assets	8,402,824	3,923,349	87,616	797
Non-current assets:				
Restricted Investments	654,922	-	-	-
Land	190,271	150,757	-	-
Buildings and improvements	-	1,832,031	26,596	2,007,718
Infrastructure	23,281,986	33,013,702	-	-
Machinery and equipment	2,391,420	1,467,571	1,941,088	118,733
Construction in progress	163,120	150,162	-	-
Accumulated depreciation	(7,430,692)	(10,922,262)	(1,658,185)	(162,639)
Total non-current assets	19,251,028	25,691,961	309,498	1,963,812
Total assets	27,653,852	29,615,310	397,114	1,964,609
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflow related to pension	84,950	103,593	39,130	-
Deferred outflow on refundings	-	-	-	-
Total deferred outflows of resources	84,950	103,593	39,130	-
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	248,949	85,873	35,577	3,444
Claims Payable	-	-	-	-
Accrued payroll and taxes	9,611	13,749	4,580	539
Due to other funds	719,631	-	237,908	377,677
Customer deposits	366,267	6,350	-	3,529
Retainage payable	101,317	-	-	-
Accrued interest	244,504	286,064	-	-
Current portion of long-term debt	359,363	451,880	58,558	1,029
Unearned Revenue				1,991
Total current liabilities	2,049,642	843,915	336,622	388,209
Non-current liabilities:				
Pension	691,136	789,869	296,201	
Non-current portion of long-term debt	11,040,605	13,050,060	15,356	292
Total non-current liabilities	11,731,741	13,839,929	311,557	292
Total liabilities	13,781,383	14,683,844	648,179	388,501
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pension	53,336	60,954	22,859	-
Deferred inflow on refundings	94,792	106,167	-	-
Total deferred inflow	148,128	167,121	22,859	-
<u>NET POSITION</u>				
Net investment in capital assets	7,118,450	13,890,156	251,654	1,963,811
Restricted for Capital Project	67,589	216,603	-	-
Unrestricted	6,623,251	761,179	(486,448)	(387,703)
Total net position	\$ 13,809,290	\$ 14,867,938	\$ (234,794)	\$ 1,576,108

The notes to the financial statements are an integral part of this statement.

Enterprise Funds			Internal Service Fund
Ambulance Services	Business Center	Total	Insurance Fund
\$ 623,280	\$ 402,125	\$ 1,411,497	\$
-	114,256	267,165	2,251,337
	-	11,015,654	
866,066	50,413	1,572,859	232,245
-	-	57,398	-
10,040	-	156,196	-
1,499,387	566,794	14,480,768	2,483,582
-	396,406	1,051,328	-
-	344,211	685,239	-
-	4,994,272	8,860,617	-
-	-	56,295,688	-
536,387	2,663,944	9,119,143	-
-	486,875	800,157	-
(79,885)	(4,570,366)	(24,824,030)	-
456,502	4,315,342	51,988,142	-
1,955,888	4,882,136	66,468,910	2,483,582
316,107	-	543,780	-
-	1,173,422	1,173,422	-
316,107	1,173,422	1,717,202	-
47,757	415,572	837,172	-
-	-	-	158,401
16,051	-	44,530	-
-	-	1,335,216	-
-	-	376,146	-
-	45,324	146,640	-
9,853	226,769	767,189	-
83,865	830,000	1,784,695	-
	-	1,991	-
157,526	1,517,665	5,293,579	158,401
401,907		2,179,113	
270,908	10,739,045	35,116,265	-
-			
672,815	10,739,045	37,295,378	-
830,341	12,256,709	42,588,957	158,401
-			
218,401	-	355,550	-
-		200,959	-
218,401	-	556,509	-
-			
116,707	(6,476,687)	16,864,092	-
-	-	284,192	-
1,106,546	275,536	7,892,361	2,325,181
\$ 1,223,253	\$ (6,201,151)	\$ 25,040,645	\$ 2,325,181

CITY OF SAN LUIS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET FUND POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating revenues:			
Charges for services	\$ 4,053,644	\$ 4,050,336	\$ 1,354,934
Rent	-	-	-
Other	128,548	3,767	32,050
Total operating revenues	<u>4,182,192</u>	<u>4,054,103</u>	<u>1,386,984</u>
Operating expenses:			
Cost of sales and services	1,665,328	2,220,162	1,049,837
Insurance Premiums/Claims	-	-	-
Depreciation	588,774	906,279	88,163
Total operating expenses	<u>2,254,102</u>	<u>3,126,441</u>	<u>1,138,000</u>
Operating income (loss)	<u>1,928,090</u>	<u>927,662</u>	<u>248,984</u>
			-
Nonoperating revenues (expenses):			
Investment earnings	62,286	48,423	-
Interest and fiscal charges	(442,541)	(522,436)	(3,085)
Bond issuance costs	-	-	-
Gain/Loss on Disposal	-	-	-
Total nonoperating revenues (expenses)	<u>(380,255)</u>	<u>(474,013)</u>	<u>(3,085)</u>
Income before Contributions and Transfers	1,547,835	453,649	245,900
Capital contributions	490,568	555,862	-
Transfer in	-	-	-
Changes in net position	<u>2,038,404</u>	<u>1,009,511</u>	<u>245,900</u>
Total net position, beginning of year as restated	<u>11,770,886</u>	<u>13,858,424</u>	<u>(480,692)</u>
Total net position, end of year	<u>\$ 13,809,290</u>	<u>\$ 14,867,935</u>	<u>\$ (234,792)</u>

The notes to the financial statements are an integral part of this statement.

Business Incubator	Enterprise Funds			Internal Service Fund
	Ambulance Services	Business Center	Total	Insurance Fund
\$ -	\$ 2,467,602	\$ -	\$ 11,926,515	\$ 2,549,078
28,498	-	626,826	655,325	-
1,501	9,002	-	174,869	-
29,999	2,476,604	626,826	12,756,708	2,549,078
126,917	1,864,553	48,867	6,975,664	-
-	-	-	-	1,975,102
46,355	71,608	212,361	1,913,540	-
173,272	1,936,161	261,228	8,889,204	1,975,102
(143,273)	540,443	365,598	3,867,504	573,976
-	-	-	-	-
-	-	(36,431)	74,278	2,904
-	(9,853)	(297,785)	(1,275,700)	-
-	-	(457,396)	(457,396)	-
-	-	-	-	-
-	(9,853)	(791,612)	(1,658,817)	2,904
(143,273)	530,590	(426,014)	2,208,686	576,880
-	-	-	1,046,430	-
-	-	407,435	407,435	-
(143,273)	530,590	(18,579)	3,662,552	576,880
1,719,382	692,664	(6,182,571)	21,378,093	1,748,301
\$ 1,576,109	\$ 1,223,254	\$ (6,201,150)	\$ 25,040,645	\$ 2,325,181

CITY OF SAN LUIS, ARIZONA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Water	Wastewater	Sanitation
<u>Increase/Decrease In Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 4,218,037	\$ 4,082,387	\$ 1,379,892
Cash payments to suppliers for goods and services	(1,299,976)	(1,656,695)	(807,619)
Cash payments to employees for services	(599,803)	(767,490)	(301,434)
Net cash provided by (used for) operating activities	2,318,258	1,658,202	270,839
Cash flows from noncapital and related financing activities:			
Transfers from other funds			
Increase (decrease) due to other funds	719,631		(223,426)
Net cash provided by (used for) noncapital and related financing activities	719,631	-	(223,426)
Cash flows from capital and related financing activities:			
Proceeds from debt issuance			
Deferred loss on refunding			
Payments for capital acquisitions	(346,128)	(271,085)	
Bond premium (discount)			
Bond issuance costs			
Principal paid on long-term debt	(333,413)	(415,694)	(44,328)
Interest paid on long-term debt	(494,392)	(579,015)	(3,085)
Net cash provided/(used for) capital and related financing activities	(1,173,933)	(1,265,794)	(47,413)
Cash flows from investing activities:			
Investment income (loss)	62,286	48,423	
Net cash provided/(used for) investing activities	62,286	48,423	-
Net increase in cash and cash equivalents	1,926,242	440,831	-
Cash and cash equivalents, beginning of year, as restated	6,486,863	3,355,641	-
Cash and cash equivalents, end of year	\$ 8,413,105	\$ 3,796,472	\$ -
<u>Reconciliation of Operating Income (loss) to</u>			
<u>Net Cash Provided by (Used for) Operating Activities</u>			
Operating income (loss)	\$ 1,928,090	\$ 927,662	\$ 248,984
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	588,774	906,279	88,163
Difference between pension expense and pension contributions	(350,409)	87,630	(29,211)
Change in assets and liabilities:			
(Increase)/ decrease in accounts receivable	9,967	28,184	(7,092)
(Increase)/ decrease in prepaid items and other assets	(25,215)	4,264	(31,794)
(Increase)/ decrease in notes receivable	(4,841)		
Increase/ (decrease) in accounts payable	164,404	(81,335)	668
Increase/ (decrease) in customer deposits	30,719	100	
Increase/ (decrease) in retainage payable	426	(222,510)	
Increase/ (decrease) in estimated claims and judgments			
Increase/ (decrease) in accrued payroll and taxes	(6,241)	3,149	26
Increase/ (decrease) in unearned revenue			
Increase/ (decrease) in compensated absences payable	(17,416)	4,779	1,095
Total adjustments	390,168	730,540	21,855
Net cash provided by (used for) operating activities	\$ 2,318,258	\$ 1,658,202	\$ 270,839

Non-Cash investing and Financing activities:

- The City entered into a capital lease agreement for 7 years ending 12/01/2024
to acquire radio equipment compatible with YRCS members . \$36,628

The notes to the financial statements are an integral part of this statement.

Enterprise Funds				Internal Service
Business Incubator	Ambulance Services	Business Center	Total	Insurance Fund
\$ 33,150	\$ 1,928,680	\$ 628,870	\$ 12,271,016	\$ 2,476,281
(88,857)	(410,410)	406,613	(3,856,944)	(2,037,397)
(37,070)	(1,071,014)		(2,776,811)	
(92,777)	447,256	1,035,483	5,637,261	438,884
			-	
		407,435	407,435	
92,777		(298,750)	290,232	(26,307)
92,777	-	108,685	697,667	(26,307)
	36,628	11,715,000	11,751,628	
		(1,236,583)	(1,236,583)	
	(36,628)	(472,363)	(1,126,204)	
		(153,812)	(153,812)	
		(457,396)	(457,396)	
	(76,124)	(10,070,000)	(10,939,559)	
	(5,924)	(392,742)	(1,475,158)	
-	(82,048)	(1,067,896)	(3,637,084)	-
		(36,431)	74,278	2,904
-	-	(36,431)	74,278	2,904
-	365,208	39,841	2,772,122	415,481
-	258,072	872,946	10,973,522	1,835,856
\$ -	\$ 623,280	\$ 912,787	\$ 13,745,644	\$ 2,251,337
\$ (143,273)	\$ 540,443	\$ 365,598	3,867,504	\$ 573,976
46,355	71,608	212,361	1,913,540	
	114,143		(177,847)	
(647)	(283,341)	2,044	(250,885)	(72,797)
	(9,019)	316	(61,448)	
			(4,841)	
794	1,502	409,840	495,873	113,236
2,381			33,200	
		45,324	(176,760)	
			-	(175,531)
	2,614		(452)	
1,417			1,417	
196	9,306		(2,040)	
50,496	(93,187)	669,885	1,769,757	(135,092)
\$ (92,777)	\$ 447,256	\$ 1,035,483	\$ 5,637,261	\$ 438,884

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

During the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The City of San Luis (the "City") was incorporated in 1979 under the provision of the Arizona Constitution and is located on the Arizona-Sonora Mexico border. The City is a municipal entity governed by an elected Mayor and council.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61, The Financial Statement Entity – Omnibus. The City is the primary government unit. Component units are financially accountable to the City. Financial accountability exists if the primary government appoints a voting majority of the entity's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide financial benefit, or impose financial burdens on the primary government. Component units meeting the criteria have been accounted for as "blended" component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City.

Blended Component Units

The San Luis Community Facilities District (SLCFD) was created in 1999 under the provisions of Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes. The District is considered by law to be an independent political sub-division of the state, and separate from the City. Council members serve as the Board of Directors. The purpose of the entity is to provide land for the development of the Regional Center for Border Health which will revert along with the development to the City at the end of the term. The District leases the land under a 30-year agreement to Western Arizona Area Health Education Center, Inc. (WAAHEC), an unrelated not-for-profit corporation for \$2,500 per year. The activity is reported in the San Luis Community Facilities District Fund.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED) A. Reporting Entity (Continued)

The San Luis Employees' Self Insurance Health Fund (ESI) was formed for the purpose of managing the health insurance fund and is governed by five Board members. The Board consists of three non-staff members, one member of Council and one member from the Human Resources Department. Although it is legally separate from the City, the Trust is reported as if it were part of the City government, because its sole purpose is to provide services exclusively to City employees through a self-insured plan. Employees are covered 100 percent by the plan and pay on the average \$250 for family or dependent care. The activity of the ESI is reported as the Insurance Fund, an internal service fund.

No separate financial statements are prepared for the blended component units.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the primary government but for which omission would cause the primary government's financial statements to be misleading or incomplete. The component units below do not meet the criteria for blended presentation and therefore, they are reported separately from the primary government.

The San Luis Facility Development Corporation (SLFDC) was incorporated in 2005 exclusively for the purpose of financing, owning, and/or operating one or more public projects that affect economic development in the City of San Luis, Arizona or San Luis County and to provide facilities, equipment, and other physical plant and related support to the project. It is governed by a Board of five Directors of which two are members of City Council. The Corporation was used in April 2014 and July 2014 to refinance two bond issues that were originally used to build and extend the detention facility respectively. The City General Fund receives certain revenues in form of a bed tax from the operations. The activity is reported in the City's Detention Facility Fund.

No separate financial statements are prepared for the discretely presented component units.

Joint Ventures

A joint venture (JV) is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. A "jointly governed organization" is an organization that meets all the JV criteria except the participants do not retain on-going financial interest or responsibility.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED) A. Reporting Entity (Continued)

The City participates under a membership provision with two other entities in a jointly governed organization, the Greater San Luis Port Authority, Inc. (GYPA) which is directed by a seven-person board. The GYPA was established in September 8, 2000, as a nonprofit corporation for the purpose of promoting and developing the new port district through cooperative regional effort of government entities (members), within the Yuma County region and to ensure the economic wellness of the San Luis area. Members are required to pay a fee of \$50,000 per year for operational expenses of the corporation. The City carries in its budget an annual appropriation of \$50,000 to retain its membership. The City does not retain an on-going financial interest or an on-going financial responsibility in the GYPA. Complete financial statements of the GYPA may be obtained from the GYPA's office at P.O. Box 4601, San Luis, AZ 85349.

Related Organizations

The City's officials are also responsible for appointing the board members of other organizations; however, the City's accountability for these organization does not extend beyond the making of appointments and therefore they are not included as part of the financial statements.

The following are related organizations that are excluded from the reporting entity:

- San Luis Police Activities/Athletics League
- San Luis AZ Chamber of Commerce
- East San Luis Community Facility District

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled

Government-Wide Financial Statements – The Government-Wide Financial Statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED) A. Reporting Entity (Continued)

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

Governmental Fund Financial Statements – All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized as soon as they are both “*measurable*” and “*available*”. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, franchise fees, forfeitures and penalties, motor license fees, rents and concessions, interest revenue, and state and federal grants and subventions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the Government-Wide Financial Statements are provided to explain the differences.

Certain indirect costs are included as part of the program expenses reported for individual functions and activities.

The City reports the following major governmental funds.

General – This fund is the general operating fund of the City. It accounts for all financial resources of the City, except those required to be accounted for in other funds.

Highway Users – This fund accounts for the revenue received from the State for public works and streets.

Debt Service Fund – This fund accounts for the construction of the City's various construction projects.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The City's non-major funds are as follows:

Special Revenue Funds

- Police Grants and Special Revenues
- Judicial Collection Enhancement
- San Luis Community Facilities District
- Assessment Districts
- Cultural Center

Capital Projects Funds

- Capital Outlay Reserve

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary Fund Financial Statements - Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following proprietary funds:

Water – This fund accounts for the City’s water operations.

Wastewater – This fund accounts for the City’s wastewater operations.

Sanitation – This fund accounts for the activities of the City’s sanitation operations.

Business Incubator – This fund accounts for the City’s business incubator operations which offers assistance to small businesses, encourage light manufacturing and help create job opportunities within the City.

Ambulance Services – This fund accounts for City’s Ambulance resources to provide emergency 9-1-1 response and emergency medical transportation for the residents and guests of the City of San Luis.

Business Center – This fund accounts for revenues and expenditures related to properties acquired by the City from the Industrial Development Authority to develop trade, encourage production, and assure job opportunities in the City.

Additionally, the City reports the following internal service fund type:

Insurance (ESI) - The Insurance fund is used to account for the accumulation and allocation of costs associated with the City’s self-insured group health and dental insurance program.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash, Cash Equivalents and Investments

The City considers cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months from the date of acquisition to be cash equivalents. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for Statement of Cash Flows purposes.

Cash and investments are generally pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Arizona Revised Statutes (A.R.S.) authorize the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona or any of its counties, cities, towns, school districts, and special districts as specified by statute.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

Money market investments are stated at amortized cost. All other investments are stated at cost, which approximates fair value. Certain resources set aside for the repayments of debt are classified as investments held by trustee – restricted. Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Restricted Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants. Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in investment earnings in the governmental fund financial statements and in non-operating revenues in the proprietary fund financial statements.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

G. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous account receivable, and interest receivable, and are reported net of allowance for uncollectible. The City reserved all receivable in excess of 180 days as an allowance.

H. Interfund Receivables and Payable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

I. Inventories

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed in the government-wide and proprietary financial statements and as expenditures when purchased in the governmental fund financial statements.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	15-50
Buildings	7-50
Improvements other than buildings	5-50
Vehicles, machinery, and equipment	4-15

K. Deferred Inflows and Outflows

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable. The City and component unit have items that qualify for reporting in this category.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Inflows and Outflows (Continued)

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- In conjunction with pension accounting requirements, the difference between expected and actual investment earnings is recorded as a deferred outflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from Municipal Court fines and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Under the full accrual basis, the City has two items that qualify for reporting in this category:

- A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- In conjunction with pension accounting requirements, the difference between expected and actual experience related is recorded as a deferred inflow of resources related to pensions. This amount is determined based on the actuarial valuation performed for the plan as described further in Note 14.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

The City's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Annual leave, based on graduated scale of years of employment, is credited to each employee as it accrues and differs between administrative and public safety functions. The maximum accrual allowed follows the aforementioned pattern of accrued hours and cannot exceed twice the yearly earned hours. Vacation benefits vest at the employee's current rate of pay.

The current and long-term liabilities for accumulated vacation are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities, net of bond premiums or discounts. Bond premiums and discounts are amortized over the life of the bonds using straight-line method. Issuance costs are reported as expense when incurred.

Governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

N. Arbitrage Rebate Requirement

The City is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The City had no rebate liability for arbitrage as of June 30, 2018.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Claims Liabilities

The City accounts for material claims and judgments outstanding at year-end. When it is probable that a claim liability has incurred at year-end, and the amount of loss can be reasonably estimated, the City records the estimated loss.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Q. Net Position

For government-wide and proprietary fund financial statements, net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position (Continued)

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first.

R. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to show the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end portion of prepaid items, which are not spendable resources.

Restricted – This classification includes revenue sources that are restricted to specific purposes externally imposed by 1) external parties such as: grantors creditors or 2) imposed by law through constitutional provisions or 3) enabling legislation legally enforceable by external parties.

Committed – Represents portion of fund balance that can only be used for specific purpose imposed by majority vote of City Council, the highest level of decision-making authority. Such commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Any changes or removal of specific purposes requires majority action as well by the governing body. Committed funds include funds for capital projects and specified program services as defined by the creation of the fund.

Assigned – Amounts are constrained by the City's intent to be used for specific purposes. Intent should be expressed by the Council or the City Manager but requires City Council to approve a resolution to set up encumbrances.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED) R. Fund Balances (Continued)

Assigned for Capital Projects – Portion of fund balance that has been budgeted or designated by Council for capital projects.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the general fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative fund balance as unassigned.

The City has a revenue spending guideline for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. Management may deviate from this policy if it's in the best interest of the City.

	General Fund	Highway Users Fund	Debt Service Fund	Non-Major Governmental Funds
Fund Balances:				
Non spendable:				
Inventory	\$ 31,568	\$ 39,805	\$	\$
Prepaid items	48,824	78	260	78,400
Restricted:				
Highways and streets				
Debt service			388,941	
Assessment Districts				349,935
Impact fees				1,623,676
Other purposes				459,903
Unassigned	11,859,205	(9,234)		
Total fund balances	\$11,939,597	\$ 30,649	\$ 389,201	\$ 2,511,915

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Budget

The City publishes and adopts an annual budget in accordance with applicable state statutes. The City prepares an annual budget on a basis consistent with Generally Accepted Accounting Principles for all governmental funds. After review of the tentative budgets, City Council holds public hearings and then adopts the annual budget for the General, Major Special Revenue, and the Enterprise funds. All annual appropriations lapse at the fiscal year end.

The appropriated budget is prepared by fund and department on the same basis of accounting as required for governmental fund types and conforms to GAAP. Amendments are required for any revisions that increases total expenditures of any fund or that change functional appropriations. During the year, several amendments to the original budget were necessary to meet the needs of the City. Also, transfers of appropriations between departments and over-expenditures of appropriations at the department level require Council approval. The City legal level of budgetary control, which is the level at which expenditures may not legally exceed appropriations, is at the department level.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2- CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	Primary Government		Component Unit	
	Governmental Activities	Business- Type Activities	Detention Facility	Total
Equity in Pooled Cash	\$2,023,350	\$1,678,662	\$	\$5,953,349
Cash and Cash Equivalent	2,251,337			
Investments	10,192,808	11,015,654		19,579,782
Restricted assets:				
Investments	2,538,258	1,051,328	5,829,442	11,047,708
Total	<u>\$17,005,753</u>	<u>\$13,745,644</u>	<u>\$5,829,442</u>	<u>\$36,580,839</u>

Cash and investments consisted of the following:

Cash on hand	\$ 4,400
Demand deposits	5,948,949
Investments	30,627,490
Total	<u>\$ 36,580,839</u>

Demand Deposits - The carrying amounts of the City's demand deposits were \$5,948,949 at June 30, 2018. Bank balances were \$6,288,371 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2- CASH AND INVESTMENTS (CONTINUED)

Risk Disclosures – Disclosures Related to Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. The City does not have a formal investment policy that limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate.

		Investment Maturities (in years)
	Fair Value	Less than 1
U.S. Agencies	\$ 256,643	\$ 256,643
Money Market	9,162,385	9,162,385
State Treasurer	21,208,462	21,208,462
Total	<u>\$ 30,627,490</u>	<u>\$ 30,627,490</u>

Investment should be recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments will be recognized as an increase or decrease to investment assets and investment income as applicable.

The City measures and records investment using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2- CASH AND INVESTMENTS (CONTINUED)

At June 30, 2018, all the City's investments were considered to be level two investments.

Disclosures Related to Credit Risk. Credit risk is defined as the risk that an issuer of an investment will not fulfill its obligation to repay the holder at the maturity date. This is generally measured by the assignment of a rating by a nationally recognized statistical organization. However, some issuers do not seek a credit rating. The City has no investment policy that would further limit its investment choices. As of June 30, 2018, the City's investment in the State Treasurer's Government Investment Pool (LGIP) did not receive a credit quality rating from national rating agency. The City's investments in U.S. agencies were rated Aaa by Moody's Investors.

That portion of the external investment pool which belongs to local government participants is reported in the State's Annual Financial Report. A copy of the report can be obtained from the State's website at www.aztreasury.gov or by writing to Arizona State Treasurer's Office, 1700 West Washington Street, 1st Floor, Phoenix, AZ 85007. The City's position in the LGIP at June 30, 2018 is stated at cost which approximates fair value.

Disclosures Related to Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a policy for custodial credit risk. As of June 30, 2018, City deposits of \$6,288,372 were collateralized with securities held by the pledging financial institution.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Disclosures Related to Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the counterparty's failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2018, the City had \$9,419,028 of U.S. agency securities, and money market funds that were uninsured and held by the counterparty's trust department or agent not in the City's name. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Disclosures Related to Concentration Credit Risk. The City places no limit on the amount the City may invest in any one issuer. As of June 30, 2018, the City's investments include one percent invested in U.S. agency securities, 30 percent invested in money market funds, and 69 percent invested in the State Treasurer's investment pool.

CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3- RECEIVABLES

Receivables are reported net of allowance for uncollectible of \$ 540,777 for Proprietary Fund receivables and \$378,093 for Governmental funds receivable of which the majority relates to court fines. As of year-end, the City's net receivables for individual major governmental funds, non-major governmental funds in the aggregate, and major enterprise funds are as follows:

	Governmental Activities					Total
	General	Highway Users	Debt Service Fund	Non-Major Governmental Insurance and Other	Fund	
Accounts receivables	\$443,413	\$	\$930	\$ \$32,614	\$232,245	\$709,202
Fines receivable	814,862					814,862
Due from governmental entities	1,192,649	231,667		87,897		1,512,213
Net total receivables	<u>\$2,450,924</u>	<u>\$231,667</u>	<u>\$930</u>	<u>\$ \$120,511</u>	<u>\$232,245</u>	<u>\$3,036,277</u>

	Business-Type Activities						Total
	Water	Wastewater	Business Center	Sanitation	Ambulance Services	Business Incubator	
Accounts receivable	\$ 508,521	\$109,952	\$50,413	\$37,258	\$866,066	\$647	\$1,572,859
Notes receivable	57,398						57,398
Net total receivables	<u>\$ 565,919</u>	<u>\$109,952</u>	<u>\$50,413</u>	<u>\$37,258</u>	<u>\$866,066</u>	<u>\$647</u>	<u>\$1,630,256</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unavailable revenue consisted mostly of fines receivable were reported in the General Fund of \$814,863.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4- INTERFUND TRANSACTIONS

A. Due From and To Other Funds

<u>Fund</u>	<u>Due from other Funds</u>	<u>Due to other Funds</u>
General	\$ 3,140,693	
Highway Users		\$ 11,555
Municipal Project Bond		1,793,922
Non-Major Governmental		
Water		719,631
Wastewater		
Sanitation		237,908
Business Incubator		377,677
Ambulance		
Business Center		
Total	<u>\$ 3,140,693</u>	<u>\$ 3,140,693</u>

All balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

A. Transfers

Transfers between primary government funds:

Transfer to:	<u>Transfer From General</u>
Business Center - Debt Obligation	\$ 407,435
Municipal Project Bond - Debt Obligation	1,014,000
	<u>\$ 1,421,435</u>

Transfers are used (1) to move receipts restricted for debt service from the funds collecting them to the funds obligated to pay debt service payments as they become due.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2018 follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,531,972	\$	\$	\$ 1,531,972
Construction in progress	312,918	1,311,935	691,231	933,622
Total capital assets, not being depreciated	<u>1,844,890</u>	<u>1,311,935</u>	<u>691,231</u>	<u>2,465,594</u>
Capital assets, being depreciated:				
Buildings and improvements	24,482,814	23,010	12,944	24,492,880
Machinery and equipment	11,278,081	719,605	425,954	11,571,732
Infrastructure	52,133,424	3,837,470		55,970,894
Total capital assets being depreciated	<u>87,894,319</u>	<u>4,580,085</u>	<u>438,898</u>	<u>92,035,506</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,945,088)	(624,895)	(11,278)	(8,558,705)
Machinery and equipment	(6,774,425)	(873,612)	(330,722)	(7,317,315)
Infrastructure	(14,246,862)	(1,118,968)		(15,365,830)
Total accumulated depreciation	<u>(28,966,375)</u>	<u>(2,617,475)</u>	<u>(342,000)</u>	<u>(31,241,850)</u>
Total capital assets, being depreciated, net	<u>58,927,944</u>	<u>1,962,610</u>	<u>96,898</u>	<u>60,793,656</u>
Governmental activities capital assets, net	<u>\$ 60,772,834</u>	<u>\$ 3,274,545</u>	<u>\$ 788,129</u>	<u>\$ 63,259,250</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 685,239	\$	\$	\$ 685,239
Construction in progress	2,535,621	857,767	2,593,231	800,157
Total capital assets, not being depreciated	<u>3,220,860</u>	<u>857,767</u>	<u>2,593,231</u>	<u>1,485,396</u>
Capital assets, being depreciated:				
Buildings and improvements	8,808,127	52,490		8,860,617
Machinery and equipment	8,928,483	268,436	77,777	9,119,143
Infrastructure	52,708,517	3,587,171		56,295,688
Total capital assets being depreciated	<u>70,445,127</u>	<u>3,908,097</u>	<u>77,777</u>	<u>74,275,447</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,033,170)	(277,027)		(2,310,197)
Machinery and equipment	(6,899,716)	(418,362)	(77,777)	(7,240,301)
Infrastructure	(14,055,379)	(1,218,151)		(15,273,530)
Total accumulated depreciation	<u>(22,988,265)</u>	<u>(1,913,540)</u>	<u>(77,777)</u>	<u>(24,824,028)</u>
Total capital assets, being depreciated, net	<u>47,456,862</u>	<u>1,949,557</u>		<u>49,451,420</u>
Business-type activities capital assets, net	<u>\$ 50,677,722</u>	<u>\$ 2,852,324</u>	<u>\$2,593,231</u>	<u>\$ 50,936,816</u>
<u>Discretely Presented Component Unit</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 661,359	\$	\$	\$ 661,359
Total capital assets, not being depreciated	<u>661,359</u>			<u>661,359</u>
Capital assets, being depreciated:				
Buildings and improvements	34,129,886			34,129,886
Machinery and equipment	329,194			329,194
Total capital assets being depreciated	<u>34,459,080</u>			<u>34,459,080</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,640,175)	(1,706,495)		(15,346,670)
Machinery and equipment	(323,929)	(3,831)		(327,760)
Total accumulated depreciation	<u>(13,964,104)</u>	<u>(1,710,326)</u>		<u>(15,674,430)</u>
Total capital assets, being depreciated, net	<u>20,494,976</u>	<u>(1,710,326)</u>		<u>18,784,650</u>
Discretely presented component unit capital assets, net	<u>\$ 21,156,335</u>	<u>\$ (1,710,326)</u>	<u>\$</u>	<u>\$ 19,446,009</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

<u>Governmental activities:</u>	<u>Amount</u>
General government	\$ 447,193
Public safety	539,147
Health and welfare	11,651
Culture and recreation	303,269
Community development	3,973
Public works and streets	1,312,242
Total depreciation expense	<u>\$ 2,617,475</u>
 <u>Business-type activities:</u>	
Water	\$ 588,774
Wastewater	906,279
Business Center	212,361
Sanitation	88,163
Business Incubator	46,355
Ambulance Services	71,608
Total depreciation expense	<u>\$ 1,913,540</u>
 <u>Discretely presented Component Unit:</u>	
Detention Facility	\$ 1,710,326
Total depreciation expense	<u>\$ 1,710,326</u>

NOTE 6- CONSTRUCTION COMMITMENTS

The City entered into several construction contracts for street projects (special revenue fund projects) and wastewater treatment projects totaling almost \$ 2.4 million. These commitments have only been recorded in the accompanying financial statements for work completed as of June 30, 2018. The remaining balance for work not yet complete at the end of the year is estimated at \$434,741 for governmental activities projects and \$ 592,141 million for business-type activities projects.

NOTE 7- OBLIGATIONS AND RECEIVABLES UNDER LEASES

Operating Leases Obligation— The City leases copiers/printers under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt); therefore, the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease payments made during the fiscal year 2018 amounted to \$51,165.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7- OBLIGATIONS AND RECEIVABLES UNDER LEASES (CONTINUED)

The following is a schedule of the future minimum lease payments on the operating leases.

Year Ending June 30th:	
2019	\$ 34,989
2020	16,877
2021	9,839
2022	6,703
2023	280
Total	<u>\$ 68,688</u>

Operating Lease Receivables- The city receives lease payments for leasing a commercial building to Advance Call Center Technologies, LLC (ACT). The term of this agreement has an ending date of April, 2027. Tenant have the option to extend term for two additional periods of (5) years each. Lease payments received during the FY 2018 amounted to \$ 626,826.

The future minimum lease receivable and the net present value of these minimum rentals at year end were as follows:

Year Ending June 30th:	
2019	\$ 600,000
2020	600,000
2021	600,000
2022	600,000
2023	600,000
2024-27	<u>2,400,000</u>
Total	<u>\$ 5,400,000</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7- OBLIGATIONS AND RECEIVABLES UNDER LEASES (CONTINUED)

Capital Leases Obligation— The City has acquired two wheeled coach ambulances under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payment as of the inception date. The Ambulance Services Fund is used to pay the capital lease obligation. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases that meet the City capitalization threshold are as follows:

Business-Type Activities

Asset:

Machinery and equipment	\$ 406,262
Less: Accumulated depreciation	58,037
Total	<u>\$ 348,225</u>

The City has acquired 63 portable radios for the City of San Luis Fire and Police Departments under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payment as of the inception date. The General Fund and the Ambulance Fund are used to pay the capital lease obligation. Amortization of assets recorded under capital leases is included with depreciation expense.

The assets acquired through capital leases that meet the City capitalization threshold are as follows:

Asset:	Governmental Activities	Business-Type Activities	Total
Equipment	\$ 297,873	\$ 442,890	\$ 740,763
Less: Accumulated Depreciation	16,975	60,125	77,100
Total	<u>\$ 280,898</u>	<u>\$ 382,765</u>	<u>\$ 663,663</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7- OBLIGATIONS AND RECEIVABLES UNDER LEASES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

Year ending June 30th,	Governmental Activities (Radios)	Business-Type Activities (Radios- Ambulance)	Total
2019	42,553	87,281	129,834
2020	42,553	87,281	129,834
2021	42,553	87,281	129,834
2022	42,553	87,281	129,834
2023	42,553	5,233	47,786
2024-2025	85,106	10,466	95,572
Total minimum lease payments	\$ 297,871	\$ 364,823	\$ 662,694
Less: amount representing interest		25,026	25,026
Present Value of minimum lease payments	297,871	339,797	637,668
Due within one year	\$ 42,553	\$ 77,428	\$ 119,981

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8- REVENUE BONDS PAYABLE

PRIMARY GOVERNMENT

Revenue bonds payable at June 30, 2018 consisted of the outstanding revenue bonds presented below. The bonds are generally callable with interest payable semiannually.

In November 2014 the City issued \$31,015,000 in Excise Tax Revenue Refunding Obligations Series 2014A and \$2,220,000 Series 2014B taxable Obligations collectively with an average true-interest rate of 4.02 percent to refund the 2005 San Luis Civic Improvement Corporation (SLCIC) in the amount of \$40,000,000.

Purpose	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2018
Governmental activities	\$ 12,085,700	5.00%	7/1/14-38	\$ 10,908,887
Business-type activities	18,929,300	5.00%	7/1/14-38	17,086,113
Total				<u>\$ 27,995,000</u>

Future debt service requirements for SLCIC revenue bonds are as follows:

Year Ending June 30th:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	317,583	525,610	497,417	823,240
2020	327,325	514,689	512,675	806,136
2021	339,015	500,398	530,985	783,752
2022	356,551	483,009	558,449	756,516
2023	374,086	464,743	585,914	727,907
2024-28	2,156,838	2,028,100	3,378,162	3,176,525
2029-33	2,737,451	1,430,537	4,287,549	2,240,588
2034-38	3,493,416	654,991	5,471,584	1,025,884
2039	806,622	20,166	1,263,378	31,584
Total	<u>\$ 10,908,887</u>	<u>\$ 6,622,244</u>	<u>\$ 17,086,113</u>	<u>\$ 10,372,131</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

PRIMARY GOVERNMENT (Continued)

During the year ended June 30, 2018, the District issued \$14,540,000 in refunding bonds, with an effective interest rate of 3.42 percent, to advance refund \$12,845,000 of outstanding Greater Arizona Development Authority (GADA) obligations, with an average interest rate of 7.1 percent. The net proceeds of \$14,260,613, which includes \$428,870 of bond premium for the tax-exempt portion of the issuance and \$554,726 of bond discount for the taxable portion of the issuance, (after payment of \$153,812 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government and state and local securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded general obligation bonds. As a result, the refunded general obligation bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,415,613. This amount is reported as deferred charges and amortized over the new debt's life. This advance refunding was undertaken to reduce total debt service payments over the next 21 years by \$7,384,378 and resulted in an economic gain of \$4,924,913

Purpose	Original Amount	Interest Rate	Maturity	Outstanding Principal June 30, 2018
Governmental activities	\$ 2,825,000	2.00-5%	7/1/19-27	\$ 2,825,000
Business-Type Activities	11,715,000	1.50-3.50%	7/1/19-31	11,715,000
Total				<u>\$ 14,540,000</u>

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Year Ending June 30th:				
2019	\$ 270,000	\$ 150,828	\$ 830,000	\$ 378,144
2020	240,000	116,900	755,000	297,088
2021	245,000	108,400	765,000	283,775
2022	255,000	97,125	780,000	268,325
2023	265,000	84,125	795,000	251,581
Thereafter	1,550,000	201,250	7,790,000	1,148,419
Total	<u>\$ 2,825,000</u>	<u>\$ 758,628</u>	<u>\$ 11,715,000</u>	<u>\$ 2,627,331</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

PRIMARY GOVERNMENT (Continued)

In November 2013, the City issued Utility Revenue Bonds Series 2013 totaling \$6,580,000 to finance the construction of new water and sewer lines. Payments will be effected when due from Pledged Revenues.

Purpose	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2018
Business-type activities	\$6,580,000	3.80-4.00%	7/1/19-2033	6,050,000
Total				<u>\$ 6,050,000</u>

Future debt service requirements for the Utility Revenue Bond payable are as follow:

Year Ending June 30th:	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 280,000	\$ 224,580	\$ 504,580
2020	295,000	213,655	508,655
2021	305,000	202,255	507,255
2022	315,000	190,475	505,475
2023	325,000	178,315	503,315
2024-28	1,830,000	692,170	2,522,170
2029-33	2,205,000	309,605	2,514,605
2034	495,000	9,405	504,405
Total	<u>\$ 6,050,000</u>	<u>\$ 2,020,460</u>	<u>\$ 8,070,460</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8- REVENUE BONDS PAYABLE (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT

In October 2005, the San Luis Facility Development Corporation (SLFDC) issued Senior Lien Project Revenue Bonds Series 2005 totaling \$27,795,000 to finance the construction of a regional detention facility. The principal and interest on the bonds are not a general obligation of the Corporation and City, but the issuer entered into agreements to house prisoners and the revenues there from are to be pledged to secure payment of the bonds. Again, in February 2011, the SLFDC issued Senior Lien Project Revenue Bonds Series 2011 totaling \$20,165,000 to finance the construction for an expansion of the existing regional detention facility. The bonds were issued with the same terms and conditions as the previous issues. Subsequently, during April 2014 and July 2014 the Corporation refunded both issues following an IRS audit in which the issues were found to be taxable as opposed to the non-taxable status at time of issuance. The refunding amounts were \$26,090,000 and \$20,835,000 respectively.

Purpose	Original Amount	Interest Rate	Maturity	Outstanding Principal June 30, 2018
Discretely presented component units	\$ 26,090,000	6.00-7.25%	5/1/19-30	22,960,000
Discretely presented component units	20,835,000	6.00-7.25%	5/1/19-27	16,385,000
Total				<u>\$ 39,345,000</u>

Future debt service requirements for the SLCFDC revenue bonds are as follows:

	2014 Series Principal	2014 Series A Principal	2014 Series Interest	2014 Series A Interest
Year end June 30th:				
2019	880,000	1,240,000	1,597,686	1,072,952
2020	925,000	1,310,000	1,550,166	1,006,612
2021	980,000	1,380,000	1,497,440	933,252
2022	1,035,000	1,460,000	1,439,620	853,212
2023	1,095,000	1,550,000	1,375,450	764,152
2024-28	8,395,000	9,445,000	5,607,000	1,901,174
2029-30	9,650,000		1,152,752	
Total	<u>\$ 22,960,000</u>	<u>\$ 16,385,000</u>	<u>\$ 14,220,114</u>	<u>\$ 6,531,354</u>

NOTE 9- NOTE OBLIGATIONS

Outstanding long-term debt and current portions are summarized as follows:

<u>Governmental activities</u>	CURRENT PORTION	LONG TERM PORTION	TOTAL
Notes payable to the Walmart Store for \$376,000 dated October 4, 2006 for road extension. Note is due in quarterly installments of the first 1% of City Sales Tax collected on retail sales from the Walmart Store until fully paid.	\$ 0	\$ 180,018	\$ 180,018
Converted a line of credit received from 1st Bank Yuma on June 11, 2015 for equipment purchase to a note payable in the amount of \$554,453 with an interest rate of 3.75% payable in five years.	72,250	18,495	90,745
Total Notes Payable	\$ 72,250	\$ 198,513	\$ 270,763

<u>Business-type activities</u>	CURRENT PORTION	LONG TERM PORTION	TOTAL
Converted a line of credit received from 1st Bank Yuma, on June 11, 2015 for equipment purchase to a note payable in the amount of \$554,453 with an interest rate of 3.75% payable in five years.	\$ 46,037	11,785	\$57,843
Total Notes Payable	\$ 46,037	\$11,806	\$57,843

Future debt service requirements for the notes payable are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Year Ending June 30:				
2019	\$ 72,250	\$ 2,202	\$ 46,037	\$ 1,403
2020	198,513	117	11,785	75
Total	\$ 270,763	\$ 2,320	\$ 57,822	\$ 1,478

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 10- CHANGE IN LONG-TERM LIABILITIES
Compensated Absences**

The City's policy relating to compensated absences is described in Note 1-L. As shown in the table below, the long-term portion of this debt, amounting to \$559,775 for governmental activities and \$75,785 for business-type activities at June 30, 2018 is expected to be paid in future years from future resources. Compensated absences for governmental activities have been liquidated primarily by the General Fund and Business-Type activities. Pension liabilities have typically been liquidated with General Fund and Proprietary Fund revenues.

Long-term liability activity for all categories for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 546,622	\$ 392,030	\$ 378,877	\$ 559,775	\$ 436,133
Revenue bonds payable	11,214,779	2,825,000	305,893	13,733,886	587,583
Revenue bonds premium	1,154,662	428,871	85,651	1,497,882	
GADA loans	3,025,000		3,025,000		
Note payable	362,922		92,159	270,763	72,250
Capital leases		297,873		297,873	42,498
Pension	13,914,273		150,361	13,763,912	
Governmental activities long-term liabilities	<u>\$ 30,218,258</u>	<u>\$3,943,774</u>	<u>\$4,037,941</u>	<u>\$ 30,124,091</u>	<u>\$1,138,464</u>
Business-type activities:					
Compensated absences	\$ 77,826	\$ 78,347	\$ 80,388	\$ 75,785	\$ 59,047
Revenue bonds payable	23,885,220	11,715,000	749,107	34,851,113	1,607,417
Revenue bonds premium	1,808,497		86,119	1,722,378	
Revenue bonds discount		(153,811)	(7,856)	(145,955)	
GADA loans	10,070,000		10,070,000		
Note payable	102,171		44,328	57,843	46,037
Capital leases	379,290	36,627	76,122	339,795	72,194
Pension	2,200,443		21,330	2,179,113	
Business-type activities long-term liabilities	<u>\$ 38,523,447</u>	<u>\$11,676,163</u>	<u>\$11,119,538</u>	<u>\$ 39,080,072</u>	<u>\$1,784,695</u>
Discretely presented component units					
Revenue bonds payable	\$ 41,360,000		\$ 2,015,000	\$ 39,345,000	\$2,120,000
Revenue bonds discount	(886,792)		(74,885)	(811,907)	
Discretely presented component unit long-term liabilities	<u>\$ 40,473,208</u>	<u>\$</u>	<u>\$ 1,940,115</u>	<u>\$ 38,533,093</u>	<u>\$2,120,000</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 11- COMMITMENTS AND CONTINGENCIES

Federal and State grants and loans – The City has received a number of grants from both Federal and State governments. Although the programs have been audited by the respective agencies, not all audits have been approved as of June 30, 2018; however, the City expects no material disallowance of expenditures.

Lawsuits – The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Individual Deficit /Net Position – At June 30, 2018, the following individual funds reported deficits in Net Position.

	<u>Deficit</u>
Enterprise Funds:	
Business Center	\$(6,201,151)
Sanitation	(234,794)
Discretely Presented Component Unit:	
Detention Facility	(13,197,656)

The net position deficit of the Business Center is expected to be subsidized through future rent revenues of unoccupied building space.

The net position deficit of the Sanitation Fund is expected to be subsidized through future rate increases.

The net position deficit of the Detention Facility is expected to improve after several lawsuits that were settled, one of which included payment to the IRS for the original bonds issues of 2005 and 2011 forcing the refinancing of said bonds. Seconded by the lawsuit involving disputes with the previous and current operators of the facility. As of October 20, 2016, the San Luis Facility Development Corporation (SLDF) and the operator of the Detention Facility have entered into an interim forbearance agreement with the Trustee, which calls for a restructuring period followed by a change in the order of distributions of funds received to stabilize operations. This agreement will come to an end in December 1st, 2018, and will not be renewed since the operations of SLDF have been stabilized due to increases in bed counts, and efficient management of operations. The distributions for payment of obligations will default in accordance to Section 5.06 of the original trust indenture upon termination of interim forbearance agreement. In addition, a new operator agreement will take effect on December 2018 which it is expected to improve the net position of this fund; however, these efforts are not likely to bring this fund to a positive fund balance in the short term.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 13- RISK MANAGEMENT

The City of San Luis, Arizona is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and potential workers-related accidents. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members' additional premiums should reserve and annual premiums be insufficient to meet the pool's obligations. There were no settlements in excess of insurance coverage in any of the prior three fiscal years.

The City established an Insurance Fund (an Internal Service Fund) during fiscal year 2012 to account for and finance its uninsured risks of loss related to health and dental claims. The program provides annual coverage per individual for up to a maximum of \$50,000 for each claim. In addition, the City has an annual aggregate stop loss amount of \$1.0 million. The City purchases commercial insurance for claims in excess of these specified amounts.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Unpaid claims, beginning of fiscal year	\$ 175,531	\$ 195,294
Incurred claims (including IBNRs)	2,020,267	1,672,652
Claim payments	(2,037,397)	(1,692,415)
Unpaid claims, end of fiscal year	<u>\$ 158,401</u>	<u>\$ 175,531</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS

The City contributes to four plans, all of which are described below. The plans are component units of the State of Arizona.

At June 30, 2018, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities	Business-type Activities	Total
Net pension liability	\$ 13,763,912	\$ 2,179,113	\$ 15,943,025
Deferred outflows of resources	2,860,445	543,780	3,404,225
Deferred inflows of resources	1,353,064	355,550	1,708,614
Pension expense	1,961,622	68,057	2,029,679

The City reported \$ 1,110,451 of pension contributions as expenditures in the governmental and proprietary funds related to all plans to which it contributes.

Arizona State Retirement System

Plan Description – City employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 8, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS

	ASRS Retirement Initial membership date:	
	<u>Before July 1, 2011</u>	<u>On or after July 1,</u>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2018 were \$692,826.

Employers are also required to pay an Alternative Contribution rate (ACR) for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 for retirement, 0.10 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

The City's pension contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

Pension Liability – At June 30, 2018, the City reported a liability of \$9,873,369 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The City's reported liability at June 30, 2018, decreased by \$602,143 from the City's prior year liability of \$10,475,512 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The City's proportion of the net pension liability was based on total ASRS employer's pension liability. The City's proportion measured as of June 30, 2017, was .0634 percent, which was a decrease of .00152 from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$417,993. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 296,058
Changes of assumptions or other inputs	428,823	295,231
Net difference between projected and actual earnings on pension investments	70,884	
Changes in proportion and differences between contributions and proportionate share of contributions	83,074	170,651
Contributions subsequent to the measurement date	692,826	
Total	<u>\$ 1,275,607</u>	<u>\$ 761,940</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The \$692,826 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension will be recognized in pension expense as follows:

Year Ending June 30:	Pension
2019	\$ (402,432)
2020	344,916
2021	105,473
2022	(27,117)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The Board adopted the experience study recommended changes which were applied to June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Proportionate share of the net (assets) liability		
1% Decrease	Current Discount Rate	1% Increase
\$ 12,672,640	\$ 9,873,369	\$ 7,534,337

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Public Safety Personnel Retirement System

Plan Description – City public safety personnel who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplemental information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provides retirement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date:	
	Tier 1	Tier 2
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5 % to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS	
	Police	Fire
Retirees and beneficiaries	7	3
Inactive, non-retired members	5	3
Active members	35	37
Total	47	43

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS - Police	PSPRS - Fire
Active members – pension	7.14% to 7.65%	7.14% to 7.65%
City:		
Pension	17.62% to 25.20%	11.86% to 19.64%

For the agent plans, the City's contributions to the pension plan for the year ended June 30, 2018, were:

	Contributions	
	PSPRS - Police	PSPRS - Fire
Pension	\$ 241,513	\$ 155,617

During fiscal year 2018, the City paid for PSPRS pension contributions as follows: 65 percent from the General Fund, and 35 percent from the Ambulance Services Fund.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Pension Liability – At June 30, 2018, the City reported the following net pension liabilities:

	Net (Assets) Liability	
	PSPRS - Police	PSPRS - Fire
Pension	\$ 3,778,087	\$ 1,134,230

The net pension liability was measured as of June 30, 2017. The total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4.0 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions.

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS - Pension	<u>Pension</u>
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Projected salary increases	3.5%
Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP 2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	0.25%
Absolute return	2	3.75
Risk parity	4	5.00
Fixed income	5	1.25
Real assets	9	4.52
GTAA	10	3.96
Private credit	12	6.75
Real estate	10	3.75
Credit opportunities	16	5.83
Non-U.S. equity	14	8.70
U.S. equity	16	7.60
Total	100%	

Pension Discount Rates – At June 30, 2017, the discount rate used to measure the total pension liability was 7.4 percent, which was a decrease of 0.1 percent from the discount rate used as of June 30, 2016.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total (Assets) Liability	Plan Fiduciary Net Position	Net (Assets) Liability
PSPRS - Police			
Balances at June 30, 2017	\$ 8,547,698	\$ 5,275,922	\$ 3,271,776
Changes for the year:			
Service cost	449,219		449,219
Interest on the total liability	647,619		647,619
Changes of benefit terms and actual experience in the measurement of the liability	162,160 385,365		162,160 385,365
Changes of assumptions or other inputs	121,338		121,338
Contributions – employer		393,486	(393,486)
Contributions – employee		231,348	(231,348)
Net investment income		640,556	(640,556)
Benefit payments, including refunds	(274,770)	(274,770)	
Administrative expense		(6,068)	6,068
Other changes		68	(68)
Net changes	1,490,931	984,620	506,311
Balances at June 30, 2018	\$ 10,038,629	\$ 6,260,542	\$ 3,778,087

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

	Increase (Decrease)		
	Total (Assets) Liability	Plan Fiduciary Net Position	Net (Assets) Liability
PSPRS - Fire			
Balances at June 30, 2017	\$ 5,626,750	\$ 4,267,612	\$ 1,359,138
Changes for the year:			
Service cost	429,788		429,788
Interest on the total liability	433,198		433,198
Changes of benefit terms and actual experience in the measurement of the liability	88,014 (519,052)		88,014 (519,052)
Changes of assumptions or other inputs	200,618		200,618
Contributions – employer		241,876	(241,876)
Contributions – employee		195,123	(195,123)
Net investment income refunds		517,876	(517,876)
of employee contributions	(131,347)	(131,347)	
Administrative expense		(4,982)	4,982
Other changes		(92,419)	92,419
Net changes	501,219	726,127	(224,908)
Balances at June 30, 2018	\$ 6,127,969	\$ 4,993,739	\$ 1,134,230

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate-The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 5,472,642	\$ 3,778,087	\$ 2,439,767
PSPRS - Fire:			
Rate	6.40%	7.40%	8.40%
Net pension (assets) liability	\$ 2,314,773	\$ 1,134,230	\$ 202,971

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial report. The reports are available on the PSPRS website at: www.psprs.com.

Pension Expense-For the year ended June 30, 2018, the City recognized the following pension expense:

	Expense	
	PSPRS - Police	PSPRS - Fire
Pension	\$ 778,202	\$ 523,686

Pension Deferred Outflows/Inflows of Resources - At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police:		
Differences between expected and actual experience	\$ 337,607	\$ 308,531
Changes of assumptions or other inputs	672,577	
Net difference between projected and actual earnings on plan investments	75,822	
Contributions subsequent to the measurement date	241,513	
Total	<u>\$ 1,327,519</u>	<u>\$ 308,531</u>

PSPRS - Fire:

Differences between expected and actual experience	\$ 37,263	\$ 616,353
inputs	447,737	
Net difference between projected and actual earnings on plan investments	59,601	
Contributions subsequent to the measurement date	155,617	
Total	<u>\$ 700,218</u>	<u>\$ 616,353</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The amounts reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	PSPRS - Police	PSPRS - Fire
2019	\$ 146,423	\$ 6,950
2020	194,290	41,252
2021	152,747	9,319
2022	66,636	(51,360)
2023	59,746	(13,360)
Thereafter	157,633	(64,553)

Elected Officials Retirement Plan

Plan Description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Benefits Provided - The EORP provides retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP Retirement and disability	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 Any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 2017 and seven percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the City to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 23.5 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill. The City's contributions to the pension plan for the year ended June 30, 2018, were \$20,495.

During fiscal year 2018, the City paid for EORP pension contributions from the General Fund.

Pension Liability - At June 30, 2018, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$
1,157,339 State's proportionate share of the EORP net pension	
liability associated with the City	<u>374,681</u>
Total	\$ <u>1,532,020</u>

The net asset and net liability were measured as of June 30, 2017, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return to from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes of- benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known. The County's proportion of the net pension liability was based on the County's actual contributions to the pension plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion of the net OPEB asset was based on the County's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportion measured as of June 30, 2016, were: Source: EORP schedule of employer allocations and calculation of difference between percentage from EORP schedule of employer allocations for current and prior measurement date.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's proportionate share of the collective net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2018, the City recognized pension expense for EORP of \$309,798. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 10,032
Changes of assumptions or other inputs	45,173	
Net difference between projected and actual earnings on pension investments	7,094	
Changes in proportion and differences between contributions and proportionate share of contributions	28,119	11,758
Contributions subsequent to the measurement date	20,495	
Total	<u>\$ 100,881</u>	<u>\$ 21,790</u>

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

The \$20,495 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension
2019	\$ 65,488
2020	6,818
2021	2,055
2022	(2,510)

Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Projected salary increases	3.50%
Inflation	2.50%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Health cost trend rate	Not applicable

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Absolute return	2	3.75
Risk parity	4	5.00
Fixed income	5	1.25
Real assets	9	4.52
GTAA	10	3.96
Private credit	12	6.75
Real estate	10	3.75
Credit opportunities	16	5.83
Non-U.S. equity	14	8.70
U.S. equity	16	7.60
Total	100%	

Discount Rate - At June 30, 2017, the discount rate used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.40 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the fidelity 20-year Municipal GO AA Index as of June 30th, 2017, was applied to periods of projected benefit payments after June 30, 2026.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14- RETIREMENT PLANS (CONTINUED)

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.91 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.91 percent) or one percentage point higher (4.91 percent) than the current rate:

Proportionate share of the net (assets) liability		
	Current	
1% Decrease	Discount Rate	1% Increase
\$ 1,367,123	\$ 1,157,339	\$ 986,246

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS Plan - Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

For the year ended June 30, 2018, active EODCRS members were required by statute to contribute eight percent of the members' annual covered payroll, and the City was required by statute to contribute six percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 15- PRIOR PERIOD ADJUSTMENT

The July 1, 2017 government activities net position, business-type activities net position and the net position of the Ambulance Services Fund do not agree to the prior year financial statements due to a correction of an error. In the prior year the allocation of the pension liabilities was performed in error.

	Governmental Activities	Proprietary Funds
	Statement of Activities	Internal Service Fund
Net position/fund balance, June 30, 2017, as previously reported	\$ 48,782,631	\$21,590,368
Pension allocation error	212,275	-212,275
Net position/fund balance, July 1, 2017, as restated	<u>\$ 48,994,906</u>	<u>\$ 21,378,093</u>

NOTE 16- PLEDGED REVENUES

Due to an increase in services caused by a growing population, the City needed to expand its facilities to better serve its citizens. Since the funding for such expansion was not readily available, the City decided to issue the 2005 series Civic Improvement Corporation bonds (CIC) in the amount of \$40.0 million. The bonds were issued for a term of 33 years. The proceeds were used to finance its public buildings such as: City Hall, Police and Fire stations as well as infrastructure for Water and Sewer storage capacities. These bonds were funded with pledged revenues payable solely from Excise taxes and the revenues directly or indirectly derived from the operation and use of the water system. Those bonds were refunded during fiscal year 2015 to take advantage of substantial savings during the same remaining period (see note 8 for further review).

In fiscal year 2018 City issued \$14,540,000 in refunding bonds to advance refund \$12,845,000 of outstanding Greater Arizona Development Authority (GADA) obligations. The original (GADA) obligation was in the amount of \$13,750,000 of which \$10,725,000 were taxable with a term of 27 years, and \$3,025,000 of tax exempt loan with a term of 29 years. This obligation was issued to cover overage costs in the construction of its public buildings and to refinance debt of Business Center building. The (GADA) bonds were funded with pledged revenues directly derived from the governmental activities.

The requirements of the original bonds 2005 Series (CIC) Bonds and (GADA) Obligations, which was also a condition of the refunding bonds, called for the City to pledge certain revenues until both of these debts are fully paid. Therefore, the City pledged all excise taxes, franchise, privilege and business taxes, State-shared sales and income taxes, fees or licenses and permits for a total amount of \$18.7 million in governmental activities and \$8.2 million in business-type activities for the current year. More in depth disclosures can be referenced from the statistical section, Table XII and XIII.

**CITY OF SAN LUIS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17- TAX ABATEMENTS

In June 2017, the City entered into a tax abatement agreement with San Luis Commercial Holdings, LLC for multi-use sites, which creates significant benefits to the City by providing for the acquisition of infrastructure as part of the development, increasing tax and other revenue to the City as a result of the improvements constructed on the property, and additional employment through development of the property. The agreement is effective until the sum of all abated taxes is equal to \$1,823,000. The City anticipates that it will take approximately 15 years from the start of construction to reach the cap. The agreement was entered into under a Resolution adopted by the Mayor and City Council in June 2017. The Resolution allows for 50% of all transaction privilege taxes of the City as generated from businesses established on the Project Site to be rebated to the Developer or its nominee or assignee until the sum of \$1,823,000 is paid. The ordinance established the following condition that must be met by the developer to qualify for the tax abatement; this retail tax incentive agreement will be conditioned upon the development of and the opening of the businesses (hotels and restaurants) by January 1, 2020.

During the fiscal year no transaction privilege taxes were abated under the San Luis Commercial Holdings, LLC agreement. The City anticipates construction will begin in in the 4th quarter of calendar year 2019.

NOTE 18- SUBSEQUENT EVENTS

We evaluated subsequent events through the date of issuance of the financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension (assets) liability	0.06%	0.06%	0.06%	0.06%
City's proportionate share of the net pension (assets) liability	\$ 9,873,369	\$ 10,475,512	\$ 9,932,851	\$ 9,246,398
City's covered payroll	\$ 6,155,121	\$ 9,781,656	\$ 10,080,810	\$ 9,456,971
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	160.41%	107.09%	98.53%	97.77%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIAL RETIREMENT PLAN
LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
Measurement date	June 30, 2017	June 30, 2016
City's proportion of the net pension (assets) liability	0.09%	0.11%
City's proportionate share of the net pension (assets) liability	\$ 1,157,339	\$ 1,008,290
State's proportionate share of the net pension liability	<u>\$ 374,681</u>	<u>\$ 208,186</u>
Total	<u><u>\$ 1,532,020</u></u>	<u><u>\$ 1,216,476</u></u>
City's covered payroll	\$ 68,562	\$ 132,685
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	1688.02%	759.91%
Plan fiduciary net position as a percentage of the total pension liability	19.66%	23.42%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability				
Service cost	\$ 449,219	\$ 350,332	\$ 306,944	\$ 282,241
Interest	647,619	562,087	555,140	466,641
Changes of benefit terms	162,160	512,893		91,936
Differences between expected and actual experience	385,365	(58,955)	(423,441)	(9,596)
Changes of assumptions or other inputs	121,338	362,672		606,442
Benefit payments, including refunds of employee contributions	(274,770)	(333,006)	(410,680)	(234,608)
Net change in total pension liability	1,490,931	1,396,023	27,963	1,203,056
Total pension liability—beginning	8,547,698	7,151,675	7,123,712	5,920,656
Total pension liability—ending	<u>\$ 10,038,629</u>	<u>\$ 8,547,698</u>	<u>\$ 7,151,675</u>	<u>\$ 7,123,712</u>
Plan fiduciary net position				
Contributions—employer	\$ 393,486	\$ 351,711	\$ 248,515	\$ 264,741
Contributions—employee	231,348	207,745	182,813	165,787
Net investment income	640,556	30,048	179,881	580,609
Benefit payments, including refunds of employee contributions	(274,770)	(333,006)	(410,680)	(234,608)
Administrative expense	(6,068)	(4,724)	(4,770)	(4,714)
Other	68	(99,246)	(3,823)	2,155
Net change in plan fiduciary net position	984,620	152,528	191,936	773,970
Plan fiduciary net position—beginning	5,275,922	5,123,394	4,931,458	4,157,488
Plan fiduciary net position—ending	<u>\$ 6,260,542</u>	<u>\$ 5,275,922</u>	<u>\$ 5,123,394</u>	<u>\$ 4,931,458</u>
Net pension (assets) liability—ending	<u>\$ 3,778,087</u>	<u>\$ 3,271,776</u>	<u>\$ 2,028,281</u>	<u>\$ 2,192,254</u>
Plan fiduciary net position as a percentage of the total pension liability	62.36%	61.72%	71.64%	69.23%
Covered payroll	\$ 2,081,175	\$ 1,794,507	\$ 1,799,219	\$ 1,663,348
Net pension (assets) liability as a percentage of covered payroll	181.54%	182.32%	112.73%	131.80%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - FIRE
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability				
Service cost	\$ 429,788	\$ 335,758	\$ 296,352	\$ 294,507
Interest	433,198	347,995	308,046	275,282
Changes of benefit terms	88,014	588,157		(8,383)
Differences between expected and actual experience	(519,052)	(33,940)	51,216	(184,049)
Changes of assumptions or other inputs	200,618	264,127		77,627
Benefit payments, including refunds of employee contributions	(131,347)	(281,063)	(51,738)	(25,329)
Net change in total pension liability	501,219	1,221,034	603,876	429,655
Total pension liability—beginning	5,626,750	4,405,716	3,801,840	3,372,185
Total pension liability—ending	<u>\$ 6,127,969</u>	<u>\$ 5,626,750</u>	<u>\$ 4,405,716</u>	<u>\$ 3,801,840</u>
Plan fiduciary net position				
Contributions—employer	\$ 241,876	\$ 253,312	\$ 208,243	\$ 199,532
Contributions—employee	195,123	207,731	173,223	157,403
Net investment income	517,876	23,851	138,174	416,103
Benefit payments, including refunds of employee contributions	(131,347)	(281,063)	(51,738)	(25,329)
Administrative expense	(4,982)	(3,832)	(3,755)	(3,378)
Other	(92,419)	(26,171)	(2,750)	8,528
Net change in plan fiduciary net position	726,127	173,828	461,397	752,859
Plan fiduciary net position—beginning	4,267,612	4,093,784	3,632,387	2,879,528
Plan fiduciary net position—ending	<u>\$ 4,993,739</u>	<u>\$ 4,267,612</u>	<u>\$ 4,093,784</u>	<u>\$ 3,632,387</u>
Net pension (assets) liability—ending	<u>\$ 1,134,230</u>	<u>\$ 1,359,138</u>	<u>\$ 311,932</u>	<u>\$ 169,453</u>
Plan fiduciary net position as a percentage of the total pension liability	81.49%	75.85%	92.92%	95.54%
Covered payroll	\$ 1,778,902	\$ 1,594,143	\$ 1,544,922	\$ 1,471,355
Net pension (assets) liability as a percentage of covered payroll	63.76%	85.26%	20.19%	11.52%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF SAN LUIS, ARIZONA
SCHEDULE OF PENSION CONTRIBUTIONS
ALL PENSION PLANS
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Arizona State Retirement System:						
Actuarially determined contribution	\$ 692,826	\$ 663,522	\$ 650,874	\$ 644,042	\$ 584,114	\$ 543,219
Contributions in relation to the actuarially determined contribution	<u>692,826</u>	<u>663,522</u>	<u>650,874</u>	<u>644,042</u>	<u>584,114</u>	<u>543,219</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 6,356,202	\$ 6,155,121	\$ 5,998,839	\$ 5,914,065	\$ 5,299,698	\$ 5,209,366
Contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	11.02%	10.43%
Public Safety Personnel Retirement System - Police:						
Actuarially determined contribution	\$ 435,558	\$ 400,210	\$ 352,801	\$ 281,218	\$ 272,789	\$ 242,295
Contributions in relation to the actuarially determined contribution	<u>435,558</u>	<u>400,210</u>	<u>352,801</u>	<u>281,218</u>	<u>272,789</u>	<u>242,295</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 1,728,405	\$ 2,081,175	\$ 1,794,507	\$ 1,799,219	\$ 1,663,348	\$ 1,571,304
Contributions as a percentage of covered payroll	25.20%	19.23%	19.66%	15.63%	16.40%	15.42%
Public Safety Personnel Retirement System - Fire:						
Actuarially determined contribution	\$ 347,491	\$ 233,214	\$ 203,572	\$ 188,635	\$ 180,241	\$ 169,598
Contributions in relation to the actuarially determined contribution	<u>347,491</u>	<u>233,214</u>	<u>203,572</u>	<u>188,635</u>	<u>180,241</u>	<u>169,598</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 1,769,302	\$ 1,778,902	\$ 1,594,143	\$ 1,544,922	\$ 1,471,355	\$ 1,481,205
Contributions as a percentage of covered payroll	19.64%	13.11%	12.77%	12.21%	12.25%	11.45%
Elected Official Retirement Plan:						
Actuarially determined contribution	\$ 20,495	\$ 16,112				
Contributions in relation to the actuarially determined contribution	<u>20,495</u>	<u>16,112</u>				
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>				
City's covered payroll	\$ 87,213	\$ 68,562				
Contributions as a percentage of covered payroll	23.50%	23.50%				

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF SAN LUIS, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2016 valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2017, valuation for PSPRS and EORP were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date.

**SUPPLEMENTARY INFORMATION COMBINING FUND
FINANCIAL STATEMENTS**

**CITY OF SAN LUIS, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	SPECIAL REVENUES				
	Police Grants and Special Revenues	Judicial Collection Enhancement	SL Community Facilities District	Assessment Districts	Cultural Center
ASSETS					
Equity in pooled cash	\$ 235,329	\$ 164,326	\$ 30,000	\$ 359,952	\$ 6,738
Investments					
Accounts receivable (net)	127	4,728		22,967	4,792
Due from governmental entities	87,897				
Prepaid items	-				78,400
Total assets	<u>\$ 323,354</u>	<u>\$ 169,054</u>	<u>\$ 30,000</u>	<u>\$ 382,919</u>	<u>\$ 89,930</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	5,696			14,227	3,280
Unearned revenue	25,409				8,250
Total liabilities	<u>31,105</u>			<u>14,227</u>	<u>11,530</u>
Deferred inflows of resources:					
Unavailable revenue	31,399			18,757	
Fund balances:					
Non-spendable:					78,400
Restricted	260,849	169,054	30,000	349,935	
Total fund balances	<u>260,849</u>	<u>169,054</u>	<u>30,000</u>	<u>349,935</u>	<u>78,400</u>
Total liabilities and fund balances	<u>\$ 323,354</u>	<u>\$ 169,054</u>	<u>\$ 30,000</u>	<u>\$ 382,919</u>	<u>\$ 89,930</u>

CAPITAL PROJECTS

<u>Capital Outlay Reserve</u>	<u>Totals</u>
\$ 21,653	\$ 817,999
1,628,680	1,628,680
	32,614
	87,897
	78,400
<u>\$ 1,650,333</u>	<u>\$ 2,645,590</u>
26,656	49,860
	33,659
<u>26,656</u>	<u>83,519</u>
	50,156
	78,400
1,623,676	2,433,515
<u>1,623,676</u>	<u>2,511,915</u>
<u>\$ 1,650,333</u>	<u>\$ 2,645,590</u>

CITY OF SAN LUIS, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

SPECIAL REVENUES

	Public Grants & Special Revenues	Judicial Collection Enhancement	SL Community Facilities District	Assessment Districts	Cultural Center
Revenues:					
Intergovernmental	\$ 376,402	\$ 5,014	\$ -	\$ -	\$ 39,730
Fines and forfeitures	126,858	124,501			
Special assessments				345,509	
Charges for services					
Investment earnings					
Other			2,500		
Total revenues	<u>503,259</u>	<u>129,514</u>	<u>2,500</u>	<u>345,509</u>	<u>39,730</u>
Expenditures:					
Current					
General government		87,143			
Public safety	439,633				
Public works and streets				70,334	
Community development				264,935	
Capital outlay	21,648			14,227	39,730
Total expenditures	<u>461,281</u>	<u>87,143</u>	<u>-</u>	<u>349,495</u>	<u>39,730</u>
Excess (deficiency) of revenues over expenditures	<u>41,978</u>	<u>42,371</u>	<u>2,500</u>	<u>(3,987)</u>	<u>-</u>
Change in fund balances	<u>41,978</u>	<u>42,371</u>	<u>2,500</u>	<u>(3,987)</u>	<u>-</u>
Fund balances - beginning	218,870	126,683	27,500	353,921	78,400
Fund balances - ending	<u>\$ 260,848</u>	<u>\$ 169,054</u>	<u>\$ 30,000</u>	<u>\$ 349,934</u>	<u>\$ 78,400</u>

CAPITAL PROJECTS

<u>Capital Outlay Reserve</u>	<u>Totals</u>
\$ -	\$ 421,145
	251,358
	345,509
413,637	413,637
18,083	18,083
	2,500
<u>431,719</u>	<u>1,452,232</u>
	87,143
	439,633
	70,334
10,922	275,856
28,514	104,119
<u>39,436</u>	<u>977,086</u>
<u>392,283</u>	<u>475,146</u>
<u>392,283</u>	<u>475,146</u>
1,231,394	2,036,768
<u>\$ 1,623,677</u>	<u>\$ 2,511,914</u>

CITY OF SAN LUIS, ARIZONA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -SPECIAL REVENUE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

Police Grants and Special Revenues			
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 580,170	\$ 376,402	\$ (203,768)
Fines and forfeitures	156,400	126,858	(29,542)
Special assessments			-
Other			-
Total revenues	<u>736,570</u>	<u>503,259</u>	<u>(233,311)</u>
Expenditures:			
Current			
General government			-
Public safety	716,070	439,633	276,437
Public works and streets			-
Community development			-
Capital outlay	20,500	21,648	(1,148)
Total expenditures	<u>736,570</u>	<u>461,281</u>	<u>275,289</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>41,978</u>	<u>41,978</u>
Change in fund balances	<u>-</u>	<u>41,978</u>	<u>41,978</u>
Fund balances - beginning	<u>92,837</u>	<u>218,870</u>	<u>126,033</u>
Fund Balances - ending	<u>\$ 92,837</u>	<u>\$ 260,848</u>	<u>\$ 168,011</u>

Judicial Collection Enhancement			SL Community Facilities District		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 4,200	\$ 5,014	\$ 814	\$ -	\$ -	\$ -
117,800	124,501	6,701			-
		-			-
		-	2,500	2,500	-
122,000	129,514	7,514	2,500	2,500	-
127,980	87,143	40,837			-
					-
					-
					-
53,780	-	53,780			-
181,760	87,143	94,617	-	-	-
(59,760)	42,371	102,131	2,500	2,500	-
(59,760)	42,371	102,131	2,500	2,500	-
48,334	126,683	78,349	-	27,500	27,500
\$ (11,426)	\$ 169,054	\$ 180,480	\$ 2,500	\$ 30,000	\$ 27,500

CITY OF SAN LUIS, ARIZONA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	Assessment Districts			Cultural Center		
	Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 710,420	\$ 39,730	\$ (670,690)
Fines and forfeitures			-			
Special assessments	354,185	345,509	(8,676)			
Other			-			
Total revenues	<u>354,185</u>	<u>345,509</u>	<u>(8,676)</u>	<u>710,420</u>	<u>39,730</u>	<u>(670,690)</u>
Expenditures:						
Current						
General government			-			
Public safety			-			
Public works and streets	72,100	70,334	1,766			
Community development	292,085	264,935	27,150			
Capital outlay	20,000	14,227	5,773	710,420	39,730	670,690
Total expenditures	<u>384,185</u>	<u>349,495</u>	<u>34,690</u>	<u>710,420</u>	<u>39,730</u>	<u>670,690</u>
Excess (deficiency) of revenues over expenditures	<u>(30,000)</u>	<u>(3,987)</u>	<u>26,013</u>			
Change in fund balances	<u>(30,000)</u>	<u>(3,987)</u>	<u>26,013</u>			
Fund balances - beginning	<u>349,991</u>	<u>353,921</u>	<u>3,930</u>	<u>143,742</u>	<u>78,400</u>	<u>(65,342)</u>
Fund Balances - ending	<u>\$ 319,991</u>	<u>\$ 349,934</u>	<u>\$ 29,943</u>	<u>\$ 143,742</u>	<u>\$ 78,400</u>	<u>\$ (65,342)</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 1,294,790	\$ 421,145	\$ (873,645)
274,200	251,358	(22,842)
354,185	345,509	(8,676)
2,500	2,500	-
1,925,675	1,020,512	(905,163)
127,980	87,143	40,837
716,070	439,633	276,437
72,100	70,334	1,766
292,085	264,935	27,150
804,700	75,605	729,095
2,012,935	937,649	1,075,286
(87,260)	82,863	170,123
(87,260)	82,863	170,123
634,904	805,373	170,469
\$ 547,644	\$ 888,236	\$ 340,592

CITY OF SAN LUIS, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	Debt Service Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services			-
Investment earnings		10,102	10,102
Total Revenue	<u>-</u>	<u>10,102</u>	<u>10,102</u>
Expenditures:			
Current -			
General government			-
Community development			-
Capital outlay	6,000	1,619	4,381
Debt service -			
Interest	702,000	621,293	80,707
Principal	306,000	305,893	107
Bond cost of issuance		87,664	(87,664)
Total Expenditures	<u>1,014,000</u>	<u>1,016,469</u>	<u>(2,469)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,014,000)</u>	<u>(1,006,367)</u>	<u>7,633</u>
Other financing sources (uses):			
Transfer In	1,014,000	1,014,000	-
Payment to refunded bond escrow agent		(3,164,208)	(3,164,208)
Issuance of refunding bonds		2,825,000	2,825,000
Premium on sale of bonds		428,870	428,870
			-
Total other financing sources (uses)	<u>1,014,000</u>	<u>1,103,662</u>	<u>89,662</u>
Change in fund balances		<u>97,295</u>	<u>97,295</u>
Fund balances - beginning	<u>(2,269,595)</u>	<u>291,906</u>	<u>2,561,501</u>
Fund Balances - ending	<u>\$ (2,269,595)</u>	<u>\$ 389,201</u>	<u>\$ 2,658,796</u>

CITY OF SAN LUIS, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

Capital Outlay Reserve			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
424,800	413,637	(11,163)	424,800	413,637	(11,163)
3,600	18,083	14,483	3,600	28,185	24,585
428,400	431,719	3,319	428,400	441,822	13,422
		-	-	-	-
	10,922	(10,922)	-	10,922	(10,922)
218,350	28,514	189,836	224,350	30,133	194,217
			-	-	-
		-	702,000	621,293	80,707
		-	306,000	305,893	107
			-	87,664	(87,664)
218,350	39,436	178,914	1,232,350	1,055,905	176,445
210,050	392,283	182,233	(803,950)	(614,084)	189,866
-	-	-	1,014,000.00	1,014,000	-
				(3,164,208)	(3,164,208)
				2,825,000	2,825,000
				428,870	428,870
				-	-
-	-	-	1,014,000	1,103,662	89,662
210,050	392,283	182,233	210,050	489,578	279,528
550,879	1,231,394	680,515	(1,718,716)	1,523,300	3,242,016
\$ 760,929	\$ 1,623,677	\$ 862,748	\$ (1,508,666)	\$ 2,012,878	\$ 3,521,544

**CITY OF SAN LUIS, AZ
COMPONENT UNIT
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current assets:

Cash and cash equivalents	\$ 822,811
Restricted investments	5,006,631
Accounts receivable (net)	6,981
	<u>5,836,423</u>

Non-current assets:

Land	661,359
Buildings and improvements	34,129,886
Machinery and equipment	329,194
Accumulated depreciation	(15,674,429)
Total noncurrent assets	<u>19,446,009</u>
Total assets	<u>25,282,432</u>

Detention Facility

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow on Refundings	<u>498,111</u>
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LIABILITIES

Current Liabilities

Accrued interest	445,106
Current portion of Long Term Debt	2,120,000
Total current liabilities	<u>2,565,106</u>

Non current liabilities

Non current portion of long term debt	36,413,093
Total non current liabilities	<u>36,413,093</u>
Total Liabilities	<u>38,978,199</u>

NET POSITION

Net Investment in Capital assets	(18,588,972)
Restricted	4,561,525
Unrestricted	829,792
Total Net Position	<u>\$ (13,197,656)</u>

CITY OF SAN LUIS, AZ
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Detention Facility</u>
Operating Revenues	
Charges for Services	\$17,110,984
Total operating revenues	<u>17,110,984</u>
Operating Expenses	
General Operations	13,140,855
Depreciation	<u>1,710,326</u>
Total operating expenses	<u>14,851,181</u>
Operating Income (loss)	<u>2,259,804</u>
Non-operating Revenues (expenses)	
Investment Earnings	61,835
Interest Expense	<u>(2,887,036)</u>
Total Non Operating Revenue (Expenses)	<u>(2,825,201)</u>
Change in Net Position	<u>(565,398)</u>
Net Position- Beginning	<u>(12,632,258)</u>
Net Position - Ending	<u><u>\$ (13,197,656)</u></u>

**CITY OF SAN LUIS, ARIZONA
COMPONENT UNIT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

<u>(Decrease) In Cash and Cash Equivalents</u>	<u>Detention Facility</u>
Cash flows from operating activities:	
Cash received from customers	\$ 17,106,028
Cash payments to suppliers for goods and services	<u>(13,140,855)</u>
Net cash provided by operating activities	<u>3,965,173</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(2,015,000)
Interest paid on long-term debt	<u>(2,772,813)</u>
Net cash (used for) capital and related financing	<u>(4,787,813)</u>
Cash flows from investing activities:	
Investment income	<u>61,834</u>
Net cash provided by investing activities	<u>61,834</u>
Net decrease in cash and cash equivalents	(760,806)
Cash and cash equivalents, beginning of year	6,590,246
Cash and cash equivalents, end of year	<u><u>\$ 5,829,440</u></u>
 <u>Reconciliation of Operating Income to Net Cash</u> <u> Provided by Operating Activities</u>	
Operating income	\$ 2,259,804
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,710,326
Change in assets and liabilities:	
(Increase)/ decrease in accounts receivable	(4,957)
Total adjustments	<u>1,705,369</u>
Net cash provided by operating activities	<u><u>\$ 3,965,173</u></u>

STATISTICAL SECTION

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.

Debt Capacity

These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other cities.

Operating Information

These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.

Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

Note: For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

CITY OF SAN LUIS, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities										
Net investment in capital assets	47,586,157	45,187,300	\$43,224,321	\$35,443,285	\$33,724,834	\$34,204,009	\$33,670,959	\$33,676,211	\$33,561,001	\$20,863,383
Restricted	2,981,920	3,063,550	1,785,917	2,383,498	2,479,675	2,517,103	1,775,967	1,671,594	1,427,157	4,592,820
Unrestricted	2,083,278	531,781	2,061,627	3,056,046	11,368,513	10,918,683	9,812,934	10,053,672	9,610,455	12,608,868
Total governmental activities net position	\$52,651,355	\$48,782,631	\$47,071,865	\$40,882,829	\$47,573,022	\$47,639,795	\$45,259,860	\$45,401,477	\$44,598,613	\$38,065,071
Business-type Activities										
Net investment in capital assets	16,864,092	14,221,545	\$15,188,424	\$13,550,172	\$11,403,309	\$9,916,229	\$10,549,845	\$11,335,286	\$12,641,773	\$17,754,682
Restricted	284,192		7,214,146	8,444,571	9,905,406	4,052,098	3,872,154	3,741,669	3,785,623	2,645,628
Unrestricted	7,892,361	7,368,823	(3,637,294)	(6,706,347)	(5,047,319)	2,101,534	1,908,868	2,045,658	2,509,079	2,506,053
Total business-type activities net position	\$25,040,645	\$21,590,368	\$18,765,276	\$15,288,396	\$16,261,396	\$16,069,861	\$16,330,867	\$17,122,613	\$18,936,475	\$22,906,363
Primary Government										
Net investment in capital assets	\$64,450,249	\$59,408,845	\$58,412,745	\$48,993,457	\$45,128,143	\$44,120,238	\$44,220,804	\$45,011,497	\$46,202,774	\$38,618,065
Restricted	3,266,112	3,063,550	9,000,063	10,828,069	12,385,081	6,569,201	5,648,121	5,413,263	5,212,780	7,238,448
Unrestricted	9,975,639	7,900,604	(1,575,667)	(3,650,301)	6,321,194	13,020,217	11,721,802	12,099,330	12,119,534	15,114,921
Total primary government net position	\$77,692,000	\$70,372,999	\$65,837,141	\$56,171,225	\$63,834,418	\$63,709,656	\$61,590,727	\$62,524,090	\$63,535,088	\$60,971,434

Source: Statement of Net Position
 City financial records and reports

CITY OF SAN LUIS, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

Expenses:	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities:										
General Government	6,163,171.00	5,994,778	\$8,228,000	\$7,694,562	\$7,322,938	\$6,458,869	\$4,703,849	\$4,096,333	\$4,250,328	\$5,631,037
Public Safety	8,144,859.00	9,126,508	7,905,663	7,483,604	6,949,558	6,519,936	6,399,600	6,086,718	6,054,459	12,326,527
Health and Welfare	213,634.00	222,820	235,413	226,788	168,499	168,025	197,462	213,814	235,594	329,290
Culture and Recreation	2,579,256.00	2,839,136	2,467,238	2,509,450	2,285,536	2,043,985	1,949,400	1,855,966	2,192,471	2,180,227
Community Development	987,340.00	945,698	906,408	703,901	691,362	550,348	585,843	698,776	751,305	976,797
Public Works & Streets	3,810,361.00	3,560,360	3,270,282	2,591,698	2,427,548	2,174,454	2,121,419	2,270,980	2,552,573	2,699,630
Interest on Long-Term Debt	541,343.00	649,618	659,670	1,367,055	830,808	891,737	912,848	970,092	989,460	3,480,809
Total Governmental activities	\$22,439,964	\$23,338,918	\$23,671,674	\$22,577,058	\$20,676,249	\$18,807,354	\$16,870,421	\$16,192,679	\$17,026,190	\$27,624,317
Business-type activities										
Water	2,696,643	2,826,192	\$2,741,022	\$3,218,848	\$2,672,415	\$2,699,661	\$2,578,057	\$2,642,458	\$2,799,088	\$2,847,656
Wastewater	3,648,877	3,141,132	2,944,122	3,395,825	2,849,798	2,781,638	2,715,388	2,544,486	2,721,154	2,644,682
Business Center	1,016,409	1,226,764	1,215,501	1,197,456	1,263,313	1,282,395	1,357,589	1,390,561	1,450,087	1,181,660
Sanitation	1,141,085	1,120,902	1,105,078	1,117,567	1,010,243	939,596	1,060,828	1,008,757	1,206,998	1,177,957
Business Incubator	173,272	163,062	144,578	56,534	-	-	-	-	-	-
Ambulance Services	1,946,014	1,049,335	-	-	-	-	-	-	-	-
Total business-type activities	\$10,622,300	9,527,387	\$8,150,301	\$8,986,230	\$7,795,769	\$7,703,290	\$7,711,862	\$7,586,262	\$8,177,327	\$7,851,955
Total expenses	\$33,062,264	\$32,866,305	\$31,821,975	\$31,563,288	\$28,472,018	\$26,510,644	\$24,582,283	\$23,778,941	\$25,203,517	\$35,476,272
Program revenues										
Governmental activities										
Charges for services										
General Government	1,350,023	1,765,937	\$3,021,700	\$2,780,190	\$2,494,028	\$2,226,528	\$1,002,249	\$531,031	\$587,365	\$578,509
Public Safety	305,749	426,767	315,098	1,007,465	980,528	867,899	677,226	686,632	374,162	363,882
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	142,037	211,126	74,395	373,194	288,009	219,142	284,797	264,622	176,077	66,070
Community Development	-	-	594,182	385,797	432,936	497,921	334,557	318,051	407,927	395,856
Public Works & Streets	187,408	342,089	62,642	62,640	51,595	50,530	49,978	49,368	33,432	169,935
Operating Grants and Contributions	2,002,228	2,308,056	2,709,123	2,989,656	2,564,023	3,343,398	2,601,626	2,715,700	2,251,704	2,471,619
Capital Grants and Contributions	4,511,855	3,749,914	7,816,499	612,897	157,458	947,390	122,614	1,314,549	547,555	6,312,084
Total Governmental activities	\$8,499,300	\$8,803,889	\$14,593,639	\$8,211,839	\$6,968,577	\$8,152,808	\$5,073,047	\$5,879,953	\$4,378,222	\$10,357,955
Business-type activities										
Charges for services										
Water	4,182,192	4,025,661	\$3,796,031	\$3,592,820	\$3,369,477	\$3,056,742	\$2,884,311	\$2,547,790	\$2,409,843	\$2,253,608
Wastewater	4,054,103	4,006,279	3,686,360	3,397,094	2,663,176	2,156,201	1,975,447	1,537,835	1,456,616	1,354,541
Business Center	626,826	629,265	629,265	629,265	629,265	629,265	629,265	629,265	629,268	618,777
Business Incubator	29,999	3,471	-	-	-	-	-	-	-	-
Sanitation	1,386,984	1,284,544	1,205,279	1,159,196	1,142,822	1,117,185	1,056,628	1,047,317	1,146,276	1,092,549
Ambulance Services	2,476,604	1,953,337	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	30,000
Capital Grants and Contributions	1,046,430	-	1,941,586	1,177,792	1,322,452	481,955	361,918	-	-	2,512,240
Total business activities	\$13,803,138	\$11,902,557	\$11,258,521	\$9,956,167	\$9,127,192	\$7,441,348	\$6,907,569	\$5,762,207	\$5,642,003	\$7,861,715
Total program revenues	\$22,302,438	\$20,706,446	\$25,852,160	\$18,168,006	\$16,095,769	\$15,594,156	\$11,980,616	\$11,642,160	\$10,020,225	\$18,219,670

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expense)/Revenue										
Governmental Activities:										
Business-type activities										
Total primary government net (expense) revenue	(13,940,665)	(14,535,029)	(\$9,078,035)	(\$14,365,219)	(\$13,707,672)	(\$10,654,546)	(\$11,797,374)	(\$10,312,726)	(\$12,647,968)	(\$17,266,362)
	3,180,839	2,375,170	3,108,220	969,937	1,331,423	(261,942)	(804,293)	(1,824,055)	(2,535,324)	9,760
	(\$10,759,826)	(\$12,159,859)	(\$5,969,815)	(\$13,395,282)	(\$12,376,249)	(\$10,916,488)	(\$12,601,667)	(\$12,136,781)	(\$15,183,292)	(\$17,256,602)
General Revenues and Other Changes in net Position										
Governmental Activities										
Taxes										
Sales and use taxes	8,978,743	7,694,566	\$7,448,887	\$7,324,294	\$6,750,517	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840
Franchise taxes	435,767	401,364	435,822	439,034	427,800	432,371	397,532	381,836	351,505	346,429
Other taxes	-	-	-	122,163	(69,355)	1,296	95,172	32,715	76,342	12,347
State shared Revenues	8,407,534	8,073,305	7,123,544	6,936,337	7,331,517	5,725,447	4,997,430	4,840,064	5,491,122	6,126,141
Investment Earnings	182,505	56,947	26,179	19,300	16,064	28,197	12,341	12,032	10,072	13,748
Miscellaneous	-	-	624,606	246,626	213,640	321,613	79,471	189,377	41,593	222,292
Transfer in (out)	(407,435)	(394,435)	(391,967)	(100,841)	-	-	-	-	(169,525)	-
Total general revenues and transfers	\$17,597,114	\$15,831,747	\$15,267,071	\$14,986,913	\$14,670,183	\$13,040,703	\$11,655,757	\$11,115,590	\$13,299,800	\$13,846,797
Business-type activities										
Investment Earnings	74,278	55,487.00	\$24,708	\$21,667	\$13,909	\$20,935	\$10,130	\$10,194	\$17,994	\$32,580
Miscellaneous	-	-	(48,015)	-	-	(\$19,999)	\$2,417	-	-	-
Transfer in (out)	407,435	394,435.00	391,967	100,841	-	-	-	-	169,525	-
Total Business-type activities	\$481,713	\$449,922	\$368,660	\$122,508	\$13,909	\$936	\$12,547	\$10,194	\$187,519	\$32,580
Total primary government	\$18,078,827	\$16,281,669	\$15,635,731	\$15,109,421	\$14,684,092	\$13,041,639	\$11,668,304	\$11,125,784	\$13,487,319	\$13,879,377
Change in net Position										
Governmental Activities	\$3,656,449	\$1,296,718	\$6,189,036	\$621,694	\$962,511	\$2,386,157	(\$141,617)	\$802,864	\$651,832	(\$3,419,565)
Business-type activities	3,662,552	2,825,092	3,476,880	1,092,445	1,345,332	(261,006)	(791,746)	(1,813,861)	(2,347,805)	42,340
Total Changes in Net Position	\$7,319,001	\$4,121,810	\$9,665,916	\$1,714,139	\$2,307,843	\$2,125,151	(\$933,363)	(\$1,010,997)	(\$1,695,973)	(\$3,377,225)

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund										
Nonspendable	\$80,392	\$118,243	\$128,035	\$42,831	\$56,719	\$99,774	\$211,131	\$1,218,352	- \$	- \$
Committed			106,785	106,624	106,465	106,250	106,250	-	-	-
Unassigned	11,859,205	9,858,234	9,207,428	10,005,982	9,061,328	7,139,348	5,599,699	5,314,536	-	-
Total General Fund	\$11,939,597	\$9,976,477	\$9,442,248	\$10,155,437	\$9,224,512	\$7,345,372	\$5,917,080	\$6,532,888	\$0	\$0
All other governmental funds										
Nonspendable	\$118,543	\$93,575	\$168,175	\$167,914	\$190,319	\$147,511	\$65,677	\$31,625	- \$	- \$
Restricted	2,822,456	2,885,421	754,165	1,181,060	1,461,661	1,223,913	488,962	383,351	-	-
Assigned		-	2,591,330	2,648,759	2,776,109	3,158,888	3,227,193	3,532,974	-	-
Unassigned	(9,234)	-	(715,933)	(951,255)	272,948	-	-	-	-	-
Total all other governmental funds	\$2,931,765	\$2,978,996	\$2,797,737	\$3,046,478	\$4,701,037	\$4,530,312	\$3,781,832	\$3,947,950	\$0	\$0
General Fund										
Unreserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,244,397	\$3,554,287
Total General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,244,397	\$3,554,287
All other governmental funds										
Reserved	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	\$1,320,251	\$4,426,742
Unreserved, reported in:										
Undesignated	-	-	-	-	-	-	-	-	43,273	1,581,519
Special revenue funds	-	-	-	-	-	-	-	-	1,163,015	1,057,942
Capital projects funds	-	-	-	-	-	-	-	-	946,543	1,555,997
Total all other governmental funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,473,082	\$8,622,200
TOTAL GOVERNMENTAL FUNDS	\$14,871,362	\$12,955,473	\$12,239,985	\$13,201,915	\$13,925,549	\$11,875,684	\$9,698,912	\$10,480,838	\$9,717,479	\$12,176,487

NOTE: GASB Statement 54 (Fund Balance Reporting) established new fund balance classifications. The first section shows the fund balance information after the implementation of GASB Statement 54 and the second section shows the fund balance information prior to the implementation of GASB Statement 54.

CITY OF SAN LUIS, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:										
Taxes	\$9,414,511	\$8,095,930	\$7,884,709	\$7,885,491	\$7,108,962	\$6,965,446	\$6,566,515	\$6,074,117	\$7,926,538	\$7,484,617
Special Assessments	\$345,509	\$302,546	302,865	374,470	282,484	218,171	290,987	267,579	156,102	169,935
Licenses and permits	\$3,236,021	\$734,502	528,034	483,218	431,909	389,295	349,777	355,759	393,365	458,802
Interest earnings	\$179,601	\$54,631	24,445	17,057	13,322	24,266	11,437	12,032	10,072	13,749
Fines and forfeits	\$519,153	\$577,989	541,336	611,178	687,319	792,994	523,053	491,230	553,262	549,231
Intergovernmental	\$8,828,680	\$11,705,819	10,159,135	10,098,225	9,895,694	9,030,736	7,605,264	8,763,843	7,846,596	9,191,793
Charges for user services	\$526,714	\$778,835	432,193	376,938	218,807	214,180	160,919	151,474	304,930	358,428
Rents	\$424,340	\$268,690	339,119	761,335	811,666	674,019	659,222	712,121	384,118	358,520
Others	\$187,987	\$408,006	624,606	529,759	418,940	577,687	140,909	167,388	103,039	230,842
Total revenues	\$23,662,516	\$22,926,948	\$20,836,442	\$21,137,671	\$19,869,103	\$18,886,794	\$16,308,083	\$16,995,543	\$17,678,022	\$18,815,917
Expenditures:										
General government	\$5,463,647	\$5,236,772	\$5,037,910	\$4,652,111	\$4,546,198	\$4,251,259	\$4,032,759	\$3,636,045	\$3,775,913	\$3,889,489
Public safety	\$7,073,034	\$7,587,098	7,328,654	6,688,960	6,519,780	6,194,930	6,089,036	5,695,080	5,701,487	5,562,706
Public works	\$1,831,640	\$1,832,799	1,673,193	1,636,602	1,506,770	1,276,486	1,238,738	1,403,846	1,679,798	1,867,333
Community, recreational, and cultural	\$3,345,062	\$3,445,381	3,001,225	2,768,148	2,615,816	2,254,791	2,198,001	2,239,756	2,648,083	3,339,382
Health and welfare	\$209,748	\$213,543	210,378	205,049	149,367	141,225	165,387	187,211	201,555	288,465
Capital outlay	\$2,691,771	\$2,402,247	2,771,769	3,843,180	1,348,004	1,280,367	921,671	1,649,441	1,289,406	2,058,853
Debt service/authorities:										
Interest	\$626,133	\$713,695	722,772	1,168,906	839,755	859,513	880,623	928,920	948,289	839,906
Principal	\$398,030	\$385,490	660,504	391,834	331,242	445,229	477,261	492,044	542,425	408,910
Bond issue costs	\$87,664	-	-	238,101	-	-	-	-	-	-
Total expenditures	\$21,726,729	\$21,817,025	\$21,406,405	\$21,592,891	\$17,856,932	\$16,703,800	\$16,003,476	\$16,232,343	\$16,786,956	\$18,255,044
Excess (Deficiency) of Revenues Over Expenditures	\$1,935,787	\$1,109,923	(\$569,963)	(\$455,220)	\$2,012,171	\$2,182,994	\$304,607	\$763,200	\$891,066	\$560,873
OTHER FINANCING SOURCES (USES)										
Premium on debt issued	\$428,870	-	\$0	\$1,296,704	\$0	\$0	\$0	\$0	\$0	\$0
Debt issued	2,825,000	-	-	12,085,699	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agt	(3,164,208)	-	-	(13,850,916)	-	-	-	-	-	-
Notes Issued	-	-	-	300,939	37,693	-	-	-	-	3,025,000
capital leases	297,873	-	-	-	-	-	-	-	-	-
Transfer from Other Funds	1,014,000	1,060,544	1,462,992	1,426,905	1,739,361	1,359,172	1,198,137	1,153,242	18,537	43,605
Transfer to Other Funds	(1,421,435)	(1,454,979)	(1,854,959)	(1,527,746)	(1,739,361)	(1,359,172)	(2,284,670)	(1,153,242)	(188,062)	(43,605)
Total other financing sources (Uses)	(\$19,900)	(\$394,435)	(\$391,967)	(\$268,415)	\$37,693	\$0	(\$1,086,533)	\$0	(\$169,525)	\$3,025,000
NET CHANGE IN FUND BALANCES	\$1,915,887	\$715,488	(\$961,930)	(\$723,635)	\$2,049,864	\$2,182,994	(\$781,926)	\$763,200	\$721,541	\$3,585,873
Debt Services as a percentage of noncapital expenditures	5.38%	5.66%	7.16%	8.55%	6.56%	8.42%	8.95%	9.68%	9.62%	7.61%

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
PROGRAM REVENUES
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities:										
Charges for service										
General Government	\$1,350,023	\$1,765,937	\$3,021,700	\$2,780,190	\$2,494,028	\$2,226,528	\$1,002,249	\$531,031	\$587,365	\$648,751
Public Safety	305,749	426,767	315,098	1,007,465	980,528	867,899	677,226	686,632	356,262	363,882
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	142,037	211,126	74,395	373,194	288,009	219,142	284,797	264,622	176,077	66,070
Community Development	-	-	594,182	385,797	432,936	497,921	334,557	318,051	407,927	395,856
Public Works & Streets	187,408	342,089	62,642	62,640	51,595	50,530	49,978	49,368	33,432	169,935
Operating grants and contributions	2,002,228	2,308,056	2,709,123	2,989,656	2,564,023	3,343,398	2,601,626	2,715,700	2,269,604	2,471,619
Capital grants and contributions	4,511,855	3,749,914	7,816,499	612,897	157,458	947,390	122,614	1,314,549	547,555	6,241,842
Total governmental activities	\$8,499,300	\$8,803,889	\$14,593,639	\$8,211,839	\$6,968,577	\$8,152,808	\$5,073,047	\$5,879,953	\$4,378,222	\$10,357,955
Business-type activities										
Charges for service										
Water	4,182,192	\$4,025,661	\$3,796,031	\$3,592,820	\$3,369,477	\$3,056,742	\$2,884,311	\$2,547,790	\$2,409,843	\$2,253,608
Wastewater	4,054,103	4,006,279	3,686,360	3,397,094	2,663,176	2,156,201	1,975,447	1,537,835	1,456,616	1,354,541
Business Center	626,826	629,265	629,265	629,265	629,265	629,265	629,265	629,265	629,268	618,777
Business Incubator	29,999	3,471	-	-	-	-	-	-	-	-
Sanitation	1,386,984	1,284,544	1,205,279	1,159,196	1,142,822	1,117,185	1,056,628	1,047,317	1,146,276	1,092,549
Ambulance Services	2,476,604	1,953,337	-	-	-	-	-	-	-	-
Operating grants and contributions	1,046,430	-	1,941,586	1,177,792	1,322,452	481,955	361,918	-	-	30,000
Capital grants and contributions	\$13,803,138	\$11,902,557	\$11,258,521	\$9,956,167	\$9,127,192	\$7,441,348	\$6,907,569	\$5,762,207	\$5,642,003	\$7,861,715
Total business-type activities	\$22,302,438	\$20,706,446	\$25,852,160	\$18,168,006	\$16,095,769	\$15,594,156	\$11,980,616	\$11,642,160	\$10,020,225	\$18,219,670

Source: City financial records and reports

CITY OF SAN LUIS, ARIZONA
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
General Government	1,355,037	1,807,078	3,107,233	2,856,516	2,531,262	2,288,465	\$1,029,723	\$554,389	\$640,571	\$722,004
Public Safety	631,996	964,958	932,208	1,990,965	1,653,703	2,184,656	1,746,600	1,746,918	910,540	9,589,253
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	150,537	211,126	197,593	489,099	368,966	302,596	343,483	320,814	198,810	273,942
Community Development	275,175	202,706	594,182	385,797	432,936	497,921	334,557	1,529,630	527,822	1,025,956
Public Works & Streets	6,086,555	5,618,021	9,762,423	2,489,462	1,981,710	2,879,170	1,618,684	1,728,202	2,100,479	7,343,275
Unallocated General Revenues	17,597,115	15,831,747	15,267,071	14,986,913	14,670,183	13,040,703	11,655,757	11,115,590	13,299,800	13,846,797
Total Governmental Activities	\$26,096,415	\$24,635,636	\$29,860,710	\$23,198,752	\$21,638,760	\$21,193,511	\$16,728,804	\$16,995,543	\$17,678,022	\$32,801,227
Business-type activities										
Water	\$4,672,760	\$4,025,661	\$3,796,031	\$3,592,820	\$3,869,477	\$3,106,217	\$2,894,971	\$2,547,790	\$2,409,843	\$2,472,311
Wastewater	4,609,965	4,006,279	5,627,946	3,418,093	2,663,176	2,588,681	2,326,705	1,537,835	1,456,616	1,092,549
Business Center	626,826	629,265	629,265	629,265	629,265	629,265	629,265	629,265	-	-
Business Incubator	29,999	3,471	-	1,156,793	-	-	-	-	-	-
Sanitation	1,386,984	1,284,544	1,205,279	1,159,196	822,452	1,117,185	1,056,628	1,047,317	1,146,276	1,553,236
Ambulance Services	2,476,604	1,953,337	-	-	-	-	-	-	-	-
Industrial Park	-	-	-	-	-	-	-	-	169,525	-
Unallocated General Revenues	481,713	449,922	368,660	122,508	13,909	936	12,547	10,194	187,519	32,580
Total Business Activities	\$14,284,851	\$12,352,479	\$11,627,181	\$10,078,675	\$7,998,279	\$7,442,284	\$6,920,116	\$5,772,401	\$5,369,779	\$5,150,676

Source: Statement of Activities.
 City financial Records and reports

CITY OF SAN LUIS, ARIZONA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
City Sales Tax	\$8,989,483	\$7,694,566	\$7,508,359	\$7,324,294	\$6,750,517	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840
State Sales taxes	3,090,501	2,889,943	2,659,098	2,550,568	2,812,693	2,104,763	1,992,968	1,771,253	1,682,728	1,824,384
Franchise Tax	435,767	401,364	435,822	439,034	427,800	432,371	397,532	381,836	351,505	346,429
Special Districts*	345,509	302,546	302,865	374,470	282,484	218,171	290,987	267,579	156,102	169,935
Others	129,514	-	-	122,163	(69,355)	1,296	95,172	32,715	76,342	12,347
Total tax revenues	\$12,990,774	\$11,288,419	\$10,906,144	\$10,810,529	\$10,204,139	\$9,288,380	\$8,850,470	\$8,112,949	\$9,765,367	\$9,478,935

Note: Includes Governmental Fund Types
 Special Districts include Street Light Improvement Districts (SLIDs), Maintenance Improvement Districts (MIDs); both are levy as secondary property taxes.

CITY OF SAN LUIS, ARIZONA
INTERGOVERNMENTAL REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State Shared Sales Tax	\$3,090,501	\$2,889,943	\$2,659,098	\$2,550,568	\$2,812,693	\$2,104,763	\$1,992,968	\$1,771,253	\$1,682,728	\$1,824,384
Urban Revenue Sharing	3,981,836	3,856,245	3,360,240	3,378,557	3,559,275	2,605,281	2,152,641	2,231,840	2,960,504	3,417,109
Highway Users	2,651,344	2,526,082	2,239,260	2,126,238	1,929,961	2,041,357	1,562,498	1,678,834	1,700,626	1,804,058
Auto-in-lieu	1,335,198	1,259,413	1,104,206	1,007,212	959,549	1,015,403	851,821	836,971	847,890	884,648
Local Transportation Aid	-	-	-	-	-	-	-	-	35,312	104,499
Federal	40,939	1,139,781	673,284	615,896	634,216	1,130,716	1,004,693	2,177,538	565,787	1,152,596
Others	14,010	64,356	123,047	419,754	-	133,216	40,643	67,407	53,749	4,499
Total tax revenues	\$11,113,828	\$11,735,820	\$10,159,135	\$10,098,225	\$9,895,694	\$9,030,736	\$7,605,264	\$8,763,843	\$7,846,596	\$9,191,793

Note: Includes governmental fund types
 Includes all governmental revenues, including revenues from federal government

CITY OF SAN LUIS, ARIZONA
CITY TRANSACTION PRIVILEGE TAXES BY CATEGORY
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Retail Sales	\$5,307,579	\$4,693,648	\$3,731,819	\$3,719,366	\$3,498,869	\$3,288,946	\$3,046,645	\$2,901,155	\$2,813,146	\$3,069,240
Contracting	1,188,901	888,499	1,573,668	1,654,681	1,336,456	1,468,887	1,574,491	1,413,388	3,354,443	2,776,939
Rentals	360,153	333,635	407,570	356,150	324,795	297,456	280,163	244,048	274,975	301,065
Communications/Utilities	123,547	947,825	1,174,550	1,044,285	1,053,760	959,929	624,166	570,915	584,850	560,704
Restaurant/Bar	611,999	456,027	422,284	417,278	363,027	371,107	342,810	309,338	294,048	249,331
Use	221,860	356,078	129,156	121,091	109,195	84,108	131,100	83,071	110,978	58,856
Other	1,175,444	18,855	69,312	45,339	64,415	61,346	74,436	137,650	66,250	109,705
	\$8,989,483	\$7,694,566	\$7,508,359	\$7,358,190	\$6,750,517	\$6,531,779	\$6,073,811	\$5,659,566	\$7,498,691	\$7,125,840

% Growth by year

Retail Sales	13.1%	25.8%	0.3%	6.3%	6.4%	8.0%	5.0%	3.1%	-8.3%	66.2%
Contracting	33.8%	-43.5%	-4.9%	23.8%	-9.0%	-6.7%	11.4%	-57.9%	20.8%	53.0%
Rentals	7.9%	-18.1%	14.4%	9.7%	9.2%	6.2%	14.8%	-11.2%	-8.7%	52.7%
Utilities	-87.0%	-19.3%	12.5%	-0.9%	9.8%	53.8%	9.3%	-2.4%	4.3%	39.4%
Restaurant/Bar	34.2%	8.0%	1.2%	14.9%	-2.2%	8.3%	10.8%	5.2%	17.9%	6.0%
Use	-37.7%	175.7%	6.7%	10.9%	29.8%	-35.8%	57.8%	-25.1%	88.6%	30.0%
Other	6134.3%	-72.8%	52.9%	-29.6%	5.0%	-17.6%	-45.9%	107.8%	-39.6%	38.2%
	6098.7%	55.7%	83.1%	96.6%	60.2%	16.0%	63.3%	19.5%	75.0%	285.5%

Note: Includes governmental fund types

Source: AZ Department of Revenues
City of San Luis Finance Department

**CITY OF SAN LUIS, ARIZONA
SALES TAX PAYERS - BY CATEGORY
CURRENT YEAR AND TEN YEARS AGO**

	2018				2009			
	Number of Payers	Percentage of Total Payers	Sales Tax Paid	Percentage of Total City Sales Tax Revenue	Number of Payers	Percentage of Total Payers	Sales Tax Paid	Percentage of Total City Sales Tax Revenue
Retail Sales	678	28.65%	\$5,307,579	59.04%	377	31.55%	3,069,240	43.07%
Construction, MFG & Wholesale	991	41.86%	1,188,901	13.23%	439	36.74%	2,776,939	38.97%
Rentals	161	6.82%	360,153	4.01%	127	10.63%	301,065	4.22%
Communications/Utilities	76	3.22%	123,547	1.37%	48	4.02%	560,704	7.87%
Restaurant/Bar	54	2.29%	611,999	6.81%	40	3.35%	249,331	3.50%
Use/Services	297	12.55%	221,860	2.47%	103	8.62%	58,856	0.83%
Other	109	4.61%	1,175,444	13.08%	61	5.10%	109,705	1.54%
	2,367	100%	\$8,989,483	100%	1,195	100%	\$7,125,840	100%

Note: Includes governmental fund types

Source: AZ Department of Revenues
City financial Records and reports

CITY OF SAN LUIS, ARIZONA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Percentage of Personal Income		
	Municipal		Capital		Municipal		Notes		Total Primary Government	Per Capita	
	Bonds	Notes Payable	Leases		Bonds/Loans	Payable	Capital Leases				
2018	\$13,733,887	\$270,762	297,872.53		\$34,851,113	\$57,843	\$339,794		\$49,551,272	4.43%	\$1,497
2017	\$11,214,780	\$3,387,834	-		\$33,955,220	\$102,171	\$379,540		\$49,039,545	4.55%	\$1,507
2016	\$13,350,329	\$3,562,910	-		\$38,010,036	\$185,909	\$0		\$55,109,184	4.86%	\$1,621
2015	13,350,329	3,562,910	-		38,010,036	185,909	-		55,109,184	6.64%	1,660
2014	14,383,209	3,336,222	-		39,733,576	127,693	-		57,580,700	8.26%	1,847
2013	14,698,048	3,323,879	-		33,642,562	834,330	-		52,498,819	5.61%	1,602
2012	15,001,198	3,347,536	133,235		34,113,235	844,703	54,246		53,494,153	7.65%	2,057
2011	15,292,656	3,970,481	305,037		34,565,602	866,495	173,673		54,653,849	6.40%	2,102
2010	15,574,373	3,992,005	582,176		24,277,708	864,211	350,649		55,839,041	6.06%	2,148
2009	15,846,348	4,013,134	945,566		24,699,558	866,495	524,699		57,074,895	6.25%	2,238

Note; See Table XIV for Personal Income and Population

Source: (1) Based on data provided by the Greater Yuma Economic Development City financial Records and reports

**CITY OF SAN LUIS, ARIZONA
PLEDGED REVENUE COVERAGE
CIVIC IMPROVEMENT CORPORATION - GREATER ARIZONA DEVELOPMENT AUTHORITY
GOVERNMENTAL PORTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Pledged revenues (1)	\$18,672,560	\$15,562,640	\$15,766,957	\$15,379,657	\$15,052,446	\$13,283,180	\$11,781,918	\$11,341,493	\$12,882,852	\$13,168,416
Debt service requirements (2)										
Principal	\$919,078	\$298,100	\$572,820	\$317,583	\$305,893	\$294,203	\$282,513	\$272,771	\$263,029	-
Interest	555,893	706,211	605,739	1,158,269	679,338	691,906	703,624	714,730	725,117	730,049
Total Annual Requirements	\$1,474,971	\$1,004,310	\$1,178,559	\$1,475,852	\$985,231	\$986,109	\$986,137	\$987,501	\$988,146	\$730,049
Estimated Coverage	12.66	15.50	13.38	10.42	15.28	13.47	11.95	11.49	13.04	18.04

Note:

Civic Improvement Corporation (CIC) Bonds issued by the City of San Luis in 2005
Greater Arizona Development Authority (GADA) issued by City of San Luis in 2018

(1) Pledged revenues on the Civic Improvement Corporation (CIC) bonds and Greater Arizona Development (GADA) are the "Excise Taxes", "State Shared Revenues", Licenses and Permit Fees, and Franchise fees. Excise Taxes are defined to include the transaction privilege and business taxes, which the City imposes.

State Shared Revenues are defined as any excise tax, transaction privilege and use taxes and income taxes imposed by the State of Arizona and allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes.

(2) Debt service requirements reflect the governmental portion of outstanding CIC issues for all years. For fiscal year 2018 debt service of outstanding GADA issues is included. Water and Wastewater allocations of CIC issues are excluded. Those portions are serviced by the Water Utility, Wastewater Utility funds.

Source: Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Debt service schedules - City financial records

CITY OF SAN LUIS, ARIZONA
PLEDGED REVENUE COVERAGE - CIVIC IMPROVEMENT CORPORATION
ENTERPRISE PORTION
LAST EIGHT FISCAL YEARS

	Fiscal Year										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Revenues	(1) 8,232,732	\$8,086,255	\$7,506,930	\$7,011,185	\$6,045,693	\$5,232,580	\$4,869,271	\$4,095,810	\$3,866,459	\$4,025,548	\$3,412,469
Operating Expenses	(2) 3,363,861	5,027,804	4,388,160	5,387,500	4,315,552	4,259,081	4,042,114	3,954,072	3,061,620	3,222,085	3,069,232
Net Revenues available	\$4,868,871	\$3,058,451	\$3,118,770	\$1,623,685	\$1,730,141	\$973,499	\$827,157	\$141,738	\$804,839	\$803,463	\$343,237
Debt Service Requirements											
Principal	(3) 479,107	\$726,900	\$497,416	\$497,416	\$479,107	\$460,797	\$442,487	\$427,229	\$411,971	- \$	- \$
Interest	(4) 838,376	989,518	1,514,082	1,514,082	1,064,017	1,083,702	1,102,056	1,119,450	1,135,719	1,143,444	1,143,444
Total debt Expense	\$1,317,483	\$1,716,419	\$2,011,498	\$2,011,498	\$1,543,124	\$1,544,499	\$1,544,543	\$1,546,679	\$1,547,690	\$1,143,444	\$1,143,444
Ratio of Total Revenue/debt Expense	3.696	1.782	1.550	0.807	1.121	0.630	0.536	0.092	0.520	0.703	0.300

Note: Civic Improvement Corporation (CIC) Bonds issued by the City of San Luis in 2005

- (1) Includes total operating revenues and investment income of the Water Utility and Wastewater Utility Enterprise Funds.
- (2) Includes total operating expenses of the Water Utility and Wastewater Utility Enterprise Funds less depreciation and amortization.
- (3) Includes principal for Water and Sewer Revenue bonds, Water Infrastructure Finance Authority bonds, and the utility portion of the Municipal Development Authority bonds.
- (4) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net assets.

Source: Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds Repayment schedules for debt serviced by the Water and Sewer Utility Enterprise Funds

CITY OF SAN LUIS
Computation of Direct and Overlapping Debt
June 30, 2018

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Yuma Community College District	\$49,341,797	5.34%	\$2,634,852
Yuma County Library District	35,265,000	5.34%	1,883,151
Yuma Union High School District No 70	44,186,696	5.34%	<u>2,359,570</u>
Subtotal Overlapping Debt			6,877,573
City of San Luis	14,600,394	100.00%	<u>14,600,394</u>
Total Direct and Overlapping Debt			21,477,967

Sources: The source of this information is the City's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

Notes: (1) Estimated percentage of debt outstanding applicable to the City is calculated based on a portion of the City's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.

**CITY OF SAN LUIS, ARIZONA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income	Labor force	Employment	Unemployment	Unemployment rate percentage
2018	33,107	33,967	14,139	10,787	3,352	24.0%
2017	32,540	\$33,124	13,382	9,897	3,485	26.0%
2016	34,001	\$33,376	18,632	9,998	8,633	46.3%
2015	33,190	25,000	18,662	9,822	8,840	47.4%
2014	31,180	22,368	19,824	9,689	10,134	65.8%
2013	32,763	28,548	17,965	6,000	11,965	66.6%
2012	26,000	26,889	17,249	5,614	11,635	67.5%
2011	26,000	32,828	15,896	5,489	10,407	65.5%
2010	25,505	36,103	8,466	4,109	4,357	51.5%
2009	25,682	35,584	7,986	4,175	3,811	47.7%

Data Source:

Greater Yuma Economic Development Corporation

**CITY OF SAN LUIS, ARIZONA
MAJOR EMPLOYERS WITHIN THE CITY
CURRENT YEAR AND SEVEN YEARS AGO**

Employer	2018 (2)			2011 (1)		
	# of Employees	Rank	Percentage of City Employment	# of Employees	Rank	Percentage of City Employment
Arizona State Prison	949	1	26.49%	653	2	26.32%
Gadsden Unified School District	885	2	24.71%	448	3	18.06%
ACT Call Center	661	3	18.45%	700	1	28.21%
Factor Sales	410	4	11.45%			0.00%
City of San Luis	265	5	7.40%	230	5	9.27%
Walmart	251	6	7.01%	270	4	10.88%
San Luis Detention Center	161	7	4.49%	80	7	3.22%
Basha's/Food City	-	-	0.00%	100	6	4.03%
Total Employees	3,582		100.00%	2,481		100.00%

Source: Greater Yuma Economic Development Corporation

Notes:

(1) Data was tracked for City's 1st CAFR.

(2) City of San Luis Finance Department

**CITY OF SAN LUIS, ARIZONA
AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Permanent Position by Function	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund										
General Government	79	56	58	55	57	57	54	52	51	56
Public Safety	96	89	94	85	90	90	87	86	77	72
Health and Welfare	4	3	4	4	2	2	2	2	3	3
Culture and Recreation	23	35	47	37	36	36	28	22	21	26
Community Development	10	9	9	8	9	9	9	9	11	10
Sub total General Fund	212	192	212	189	194	194	180	171	163	167
General Fund	212	192	212	189	194	194	180	171	163	167
Public Works & Streets	17	18	15	16	11	11	13	15	16	20
Enterprise Funds	53	50	32	32	32	32	26	30	31	33
Total Permanent Positions	282	260	259	237	237	237	219	216	210	220

Source:

City Payroll

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - BILLINGS
LAST TEN FISCAL YEARS**

		Utility Rate Increases & Average Bill									
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Water	Average bill	\$48.16	\$48.45	\$48.03	\$46.59	\$45.05	\$41.72	\$38.31	\$36.56	\$33.92	\$35.70
	% Increase	-0.60%	0.88%	3.09%	3.41%	7.98%	8.89%	4.80%	7.78%	-5.00%	6.31%
Wastewater	Average bill	\$44.60	\$51.57	\$48.40	\$46.30	\$37.33	\$31.57	\$29.41	\$23.24	\$22.10	\$24.58
	% Increase	-13.52%	6.56%	4.52%	24.03%	18.25%	7.34%	26.53%	5.19%	-10.11%	15.40%
Residential Solid Waste	Average bill	\$17.82	\$17.03	\$16.95	\$16.86	\$16.89	\$17.11	\$16.45	\$15.89	\$17.60	\$17.66
	% Increase	4.64%	0.47%	0.52%	-0.15%	-1.32%	4.07%	3.51%	-9.74%	-0.34%	-1.67%

Source: City Customer Service and Billing records

CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - ACCOUNTS
LAST TEN FISCAL YEARS

	Utility Accounts									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Water										
Number of Accounts	6,828	6,669	6,384	6,190	6,023	5,890	6,036	5,701	5,865	5,722
% Increase	2.38%	4.46%	3.13%	2.77%	2.26%	-2.42%	5.88%	-2.80%	2.50%	7.64%
Wastewater										
Number of Accounts	6,618	6,495	6,216	5,990	5,827	5,688	5,597	5,514	5,491	5,264
% Increase	1.89%	4.49%	3.77%	2.80%	2.44%	1.63%	1.51%	0.42%	4.31%	8.11%
Residential Solid Waste										
Number of Accounts	6,222	6,113	5,825	5,643	5,549	5,366	5,249	5,172	5,330	5,082
% Increase	1.78%	4.94%	3.23%	1.69%	3.41%	2.23%	1.49%	-2.96%	4.88%	4.63%

Source: City Customer Service and Billing records

**CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA - RATES**

**Charges for Water Services
Based Minimum Monthly Bill**

		Service Fees		
		Residential	Commercial / Government / School	
<i>Meter Size</i>				
5/8" - 3/4"				
1"	1st 2,000 G \$ 13.80	Excess / 000's \$ 2.11	1st 2,000 G \$ 35.10	School \$ 2.66
1 1/2"	N/A	N/A	\$ 58.62	\$ 2.66
2"	N/A	N/A	\$ 116.89	\$ 2.66
3"	N/A	N/A	\$ 187.09	\$ 2.66
4"	N/A	N/A	\$ 409.64	\$ 2.66
6"	N/A	N/A	\$ 1,404.07	\$ 2.66
8"	N/A	N/A	\$ 2,925.15	\$ 2.66
			\$ 4,212.22	\$ 2.66

**Charges for Wastewater Services
Based Minimum Monthly Bill**

		Service Fees		
		Residential	Commercial / Government / School	
<i>Meter Size</i>				
Senior 60+ yrs				
5/8" - 3/4"	Base \$ 20.23	Excess / 000's N/A	Base N/A	Volume/000's N/A
1" - 8"	\$ 40.00	N/A	\$ 24.50	\$ 2.47
Gadsden	N/A	N/A	\$ 24.50	\$ 2.47
Gadsden School	\$ 55.27	N/A	\$ 76.35	\$ 2.47
	N/A	N/A	\$ 205.81	\$ 2.47

Source: City Customer Service and Billing records

CITY OF SAN LUIS, ARIZONA
UTILITY STATISTICAL DATA
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Miscellaneous data on water utility										
Annual Consumption (000's gal)	1,085,982	1,067,585	1,041,105	1,023,995	1,080,987	962,719	1,025,510	1,122,644	1,052,673	1,030,064
Avg gallons/account/month	13,254	13,340	13,590	13,786	14,956	13,621	14,158	16,410	15,387	14,636
Avg gallons/account/year	159,048.33	160,082	163,080	165,427	179,477	163,452	169,899	196,920	184,647	175,629
Avg. daily demand (MGD)	3.23	445	453	460	499	454	472	547	513	488
Peak demand (MGD)	3.81	3.81	3.43	3.43	3.43	3.43	3.43	3.43	3.33	3.23
Number of wells in system	12	12	12	12	12	12	12	12	12	12
Available storage capacity (million Gallons)	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025	4,025
Miscellaneous data on wastewater utility										
Treatment plant capacity (000's)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Annual wastewater treated (000's)	514,839	458,763	465,867	471,403	463,767	457,864	437,574	445,704	437,715	433,508
Average daily flow (000's)	1,410	1,286	1,340	1,340	1,340	1,340	1,340	1,340	1,340	1,340
Miscellaneous data on solid waste service										
Tons of waste collected and disposed	11,719	10,740	10,306	9,681	10,610	9,013	9,523	9,066	13,053	10,952

Source: City Customer Service and Billing records
Public Works records

CITY OF SAN LUIS, ARIZONA
BUILDING PERMITS AND HOME SALES
LAST TEN FISCAL YEARS
(\$'s in 000's)

	Building Permits									
	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Commercial										
Number of Permits	1	6	16	16	16	16	16	13	12	12
Value	\$568	\$7,091	\$51	\$128	\$2,181	\$204	\$5,773	\$7,560	\$1,048	\$3,629
Residential										
Number of Dwelling Units	193	267	169	159	112	120	85	68	182	245
Value	\$29,110	\$35,339	\$24,850	\$24,530	\$16,908	\$20,166	\$13,147	\$11,078	\$20,338	\$24,754
Other										
Number of Permits	404	480	523	318	200	138	161	134	127	162
Value	\$8,293	\$9,601	\$10,652	\$2,146	\$19,089	\$3,649	\$1,157	\$1,554	\$1,165	\$2,652

	Single Family Housing Sales									
	Calendar Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
New units sold	258	228	175	88	56	118	114	63	85	218

Source: City Development Services

CITY OF SAN LUIS, ARIZONA
Operating Indicator by Function
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
GENERAL GOVERNMENT										
<i>Court</i>										
Charges filed/ Charges adjudicated(resolved)	2,200	3,317	3,734	3,989	4,630	7,214	4,449	3,385	4,225	3,248
Charges dismissed	754	1,037	841	938	1,019	8,469	690	847	835	798
<i>Human Resources</i>										
# of employment Applications Processed	2,829	3,047	1,643	750	530	601	44*	40*	306	**
<i>Finance</i>										
# of Accounts Payable checks issued	4,721	4,785	4,264	4,201	3,848	3,739	3,723	3,929	4,329	3,901
# of Claims filed, injured or ill workers	27	16	13	29	27	18	16	**	**	**
# of electrical inspections performed	**	**	3	1	8	10	6	1	**	**
Notice of claims	14	3	2	4	1	6	6	**	**	**
PUBLIC SAFETY										
<i>Police</i>										
# of 911 Emergency and Animal Calls	5,467	4,889	5,920	5,483	5,694	5,046	**	**	**	**
# of Traffic Stops	4,786	5,220	4,681	6,393	6,834	9,439	**	**	**	**
# of Arrests	374	468	439	**	**	**	**	**	**	**
<i>Fire</i>										
# of Ambulance Transport Services	2,699	2,767	2,665	2,476	2,318	2,169	1,912	1,620	1,415	1,494
# of Fire & Hazmat Incidents	63	41	57	28	78	62	69	72	76	89
HEALTH AND WELFARE										
# of Meals served - Food Assistance	5,783	7,791	8,869	7,963	9,604	9,296	7,677	9,239	7,528	7,077
# of citywide transit ridership	6,166	9,538	10,661	8,136	9,243	8,378	6,323	5,190	4,096	3,699

Note: (*) Hiring Freeze

(**) Information is not available

Source: Various Departments

**CITY OF SAN LUIS, ARIZONA
CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	Fiscal Year									
General Government										
City Hall										
Building	1	1	1	1	1	1	1	1	1	1
Vehicle	33	31	26	26	18	18	18	17	19	18
Public Safety										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	70	69	70	70	57	57	53	50	56	52
Culture & Recreation										
Building	3	3	3	3	3	3	3	3	3	3
Equipment	37	39	33	33	23	23	22	19	19	14
Health and Welfare										
Building	2	2	2	2	2	2	2	2	2	2
Vehicle	2	3	3	3	5	5	6	6	6	6
Public Works and streets										
Building	1	1	1	1	1	1	1	1	1	-
Equipment	28	27	26	26	18	18	17	17	20	20
Enterprise										
Building	4	4	4	4	3	3	3	3	3	3
Equipment	61	61	51	51	44	44	49	47	48	49

Source: City records Finance Department

